

The seal of the Missouri State Auditor is circular and features a central figure holding a scale and a sword. The text around the seal reads "SEAL OF THE STATE AUDITOR" at the top, "JUSTICE WE STAND DIVIDED" in the middle, and "1820 MISSOURI 1892" at the bottom.

**Nicole Galloway, CPA**

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**Missouri State Auditor**

**City of Cross Timbers**

Report No. 2022-020

March 2022

[auditor.mo.gov](http://auditor.mo.gov)



**Nicole Galloway, CPA**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the City of Cross Timbers

|  |   |
|--|---|
| Misappropriated Money and Utility Services           | From October 1, 2017, through July 31, 2020, money totaling at least \$44,452 was misappropriated from the city by the City Clerk, including undeposited city receipts of \$21,474; overpayments of \$6,132; questionable payments of \$13,525; improper payments of \$569; and improperly recorded utility payments (\$1,973) and adjustments (\$234) to the City Clerk's utility account, and \$545 of improperly unbilled utility services related to that account. In addition, during the period January 2015 through July 2020, we identified \$5,280 of improperly recorded utility payments and adjustments and unbilled utility services related to a former Alderman's utility account.   |
| Financial Condition                                  | The city finances are in poor financial condition, and the Board of Aldermen had not adequately monitored that condition.   |
| Oversight, Annual Audits and City Ordinances         | The Board did not establish adequate segregation of duties or supervisory reviews over the various financial accounting functions performed by the City Clerk. The city has not obtained annual audits of its combined water and sewer system as required by state law. City ordinances are not complete and have not been updated since 2013.  |
| Payroll and Related Matters                          | The Board did not document the basis for classifying the City Clerk and the former Maintenance Supervisor as independent contractors rather than employees. The Board and City Clerk did not pay past due taxes, interest, and penalties due from December 2010 to December 2013, and as a result, the city owes the Internal Revenue Service (IRS) \$15,255 as of September 15, 2021, in unpaid past due taxes (\$8,739), and penalties and interest (\$6,516), with the amount of penalties and interest continuing to increase since the balance remains unpaid. The City Clerk issued herself pay advances totaling \$7,311 in violation of the Missouri Constitution. The City Clerk did not prepare timesheets. The Board did not enter into a written contract with the City Clerk and the City Clerk did not prepare and file accurate 1099 forms for payments made to herself and the Maintenance Supervisor. City officials had no documentation to justify the allocation of the amounts paid the City Clerk and Maintenance Supervisor to the various city bank accounts. |
| Accounting Controls and Procedures and Disbursements | The city's procedures for receipting, recording, and depositing payments received were poor. The City Clerk did not prepare bank reconciliations for any of the city's bank accounts, maintain a checkbook register or book balances, issue checks in numerical order, and prepare a list of bills or monthly financial reports for the Board's review. The Board and City Clerk did not ensure required sewer loan payments occurred. The City Clerk made excessive and unauthorized transfers between various bank accounts and did not ensure some bills were paid timely, resulting in more than \$20,000 in outstanding bills as of September 15, 2021. City officials could not provide copies of some meeting minutes, invoices, delinquent notices from the IRS, the City Clerk's calendars of time worked, 1099 forms, and documentation of expense reimbursements.  |
| Utility System Controls and Procedures               | Improper adjustments were made to the utility account of the City Clerk and a former Alderman, and we noted several other adjustments and the reasons documented for the adjustments that were unusual. City personnel do not   |

prepare proper reconciliations related to utility services. They also do not reconcile customer utility deposit balances reported in the utility system to the account holding the funds, and the City Clerk transferred amounts from that account to other bank accounts to pay city bills. Delinquent utility accounts are not always shut off as required by ordinance, and the City Clerk allowed some customers to make partial payments on delinquent accounts without Board approval. Current water and sewer rates are not supported by a cost study or other documentation showing how the rates were determined. The city had not filed or remitted sales taxes collected related to utility services provided for some months to the Department of Revenue.

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**Budgets and Financial Reporting**

The City Clerk did not prepare a budget for the years ended December 31, 2020, 2019, or 2018. City officials did not file timely annual financial reports with the State Auditor's Office as required by state law, and the financial statements filed were not accurate. The city has not published financial statements for the years ended December 31, 2020, 2019, and 2018.

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**Sunshine Law**

The Board did not always prepare and maintain meeting minutes. City officials could not locate meeting minutes for monthly Board meetings occurring in March, April, May, and June 2018, and also February and July 2019. The Board has not adopted a written policy regarding public access to city records as required by state law.

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**Electronic Data Security**

The city has not established adequate password controls to reduce the risk of unauthorized access to the city's computer and data. The city did not have antivirus software installed on the city's computer to ensure protection of data. City personnel do not periodically back up some city data and store the backup data at a secure off-site location.

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**Electronic Communication Policy**

The city has not developed a records management and retention policy in compliance with the Missouri Secretary of State Records Services Division guidance, as approved by the Missouri Local Records Commission.

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

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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

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

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# City of Cross Timbers

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## **NICOLE GALLOWAY, CPA**

### **Missouri State Auditor**

To the Honorable Mayor  
and  
Members of the Board of Aldermen  
City of Cross Timbers, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Cross Timbers. We have audited certain operations of the city in fulfillment of our duties. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2018. The objectives of our audit were to:

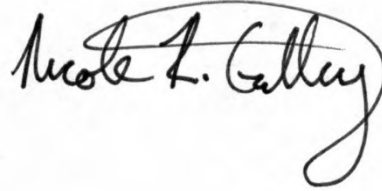
1. Evaluate the city's internal controls over significant management and financial functions.
2. Evaluate the city's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.
4. Determine the extent of money misappropriated from the city.

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; analysis of comparative data obtained from external sources, and testing selected transactions. We obtained an understanding of internal control that is significant to the audit objectives and planned and performed procedures to assess internal control to the extent necessary to address our audit objectives. 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, (3) the need for improvement in management practices and procedures, and (4) misappropriated money and utility services totaling at least \$49,732. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Cross Timbers.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping flourish at the end of the word "Galloway".

Nicole R. Galloway, CPA  
State Auditor

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# City of Cross Timbers

## Introduction

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### Background

The former City Clerk, January "Nicki" Clark, served from September 2017<sup>1</sup> until July 6, 2020. The former City Clerk was primarily responsible for the financial accounting functions and records of the city.

The former City Clerk is referred to as the City Clerk throughout the remainder of this report.

- Receipts - The City Clerk collected, receipted, and posted payments in the computerized utility system, and prepared and made deposits.
- Disbursements - The City Clerk received invoices for payment, prepared and distributed checks, maintained supporting documentation, and transferred money between bank accounts. Two Board of Aldermen members signed checks.
- Payroll - The City Clerk prepared a calendar of the hours she worked. The City Clerk prepared and distributed checks for payment of herself and the former Maintenance Supervisor, and 2 Board members signed those checks. The city entered into a contract with the former Maintenance Supervisor on March 6, 2018, that provided for a weekly payment of \$250 and free water and sewer services while living in city limits. He worked from March 12, 2018, until November 2019, when he terminated his contract with the city.<sup>2</sup>
- As discussed in MAR finding number 4.1, the city reclassified the City Clerk position in 2013 from an employee to an independent contractor, and this reclassification was questionable. While the income most likely should have been reported as wage income of an employee, the city failed to properly report the income of the City Clerk for this reclassified position.
- Bank accounts - The City Clerk received monthly bank statements for the city's 7 bank accounts.
- Utilities (water and sewer) - The former Maintenance Supervisor read meters at the main pump and at each utility customer location, and submitted meter readings to the City Clerk to enter into the computerized utility system. The City Clerk prepared utility bills, posted payments in

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<sup>1</sup> We could not determine the date the City Clerk was hired. The city issued an initial paycheck to the City Clerk on November 3, 2017, for \$885, and the memo line of the check mentioned "Sept Wages."

<sup>2</sup> We could not determine the specific date of the former Maintenance Supervisor's termination. The city issued a "final paycheck" for "Nov Wages/Reimbursements" to the former Maintenance Supervisor on December 6, 2019.



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## City of Cross Timbers Introduction

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the utility system, made adjustments in the utility system, and monitored delinquent utility accounts.

- Reporting - The City Clerk prepared meeting minutes. They were typically reviewed and approved at the next Board meeting. The City Clerk was responsible for generating monthly summary reports of utility usage, billings, payments, adjustments, and balances due.

Representatives of the State Auditor's Office (SAO) took the testimony of the City Clerk and the former Mayor on November 10, 2021.<sup>3</sup> The SAO also issued a subpoena to the City Clerk (see Appendix A) and the former Mayor (see Appendix B) to compel them to produce records and documents related to their testimony. Appendixes A and B include redactions. These redactions are of information of a confidential, personal, privileged, or sensitive nature, and/or of information that is not directly related to the information requested in the subpoena. The former City Clerk and Mayor responded to the subpoenas by email that they had no records or documents related to their testimony.

In addition, audit staff recorded interviews with former Board members and current and former employees and requested copies of any city records they had. The former Board members and current employees provided some city records.

We also emailed a letter on August 3, 2020, to the City Clerk requesting that she provide proof of payment (canceled checks, copies of money orders, city receipt slips, payment stubs, etc.) to the SAO by August 15, 2020, for all utility services related to her account during the period of August 2017 through July 2020. The City Clerk did not respond to this letter or provide any documentation.

The Hickory County Prosecuting Attorney and the Missouri State Highway Patrol (MSHP) investigated and obtained personal bank records of the City Clerk, and turned those records over to our office for review.

The city's fiscal year is January 1 through December 31. The scope of our audit included, but was not necessarily limited to the period January 1, 2018, through December 31, 2018. After the identification of significant concerns regarding overpayments, improper payments, improperly recorded utility payments and improper adjustments and billings, and undeposited city receipts, we applied limited audit procedures to city receipt, disbursement (including payroll payments), and utility records for the period October 1, 2017, through July 31, 2020 (the approximate time period the City Clerk

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<sup>3</sup> Testimonies were given under oath and were recorded by SAO staff.





City of Cross Timbers  
Introduction

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provided services to the city), to determine the amount misappropriated, and the methods used to perpetrate and conceal the theft. In addition, after identifying concerns related to a former Alderman's utility account, we applied limited audit procedures to his utility account records for the period of December 2014 through July 2020.

# City of Cross Timbers Management Advisory Report State Auditor's Findings

## 1. Misappropriated Money and Utility Services

From October 1, 2017, through July 31, 2020, money and utility services totaling at least \$44,452<sup>4</sup> was misappropriated from the city by the City Clerk. City receipts totaling \$21,474 were not deposited by the City Clerk. Overpayments totaling \$6,132 and questionable payments totaling \$13,525 were also paid to the City Clerk. Other improper payments totaling \$569 were also made to the City Clerk. Improperly recorded utility payments totaling \$1,973 and adjustments totaling \$234 were applied to the account of the City Clerk. In addition, \$545 of utility services were improperly not billed to the City Clerk.

The following table provides a summary of the amounts misappropriated by the City Clerk and identifies the appendixes where specific details are reported.

|  | Period October<br>through<br>December 31,<br>2017 | <u>Year Ended December 31,</u><br>2018 |               | 2019         | Period<br>January 1<br>through July 6,<br>2020 | Total |
|--|---|--|---------------|--------------|--|-------|
| Undeposited city receipts<br>(Appendix C)              | \$ 1,891  | 9,323                                  | 4,931         | 5,329        | 21,474   |       |
| Overpayments (Appendix D)                              | 467   | 3,504                                  | 2,046         | 115          | 6,132  |       |
| Questionable payments<br>(Appendix D)                  | 0   | 9,665                                  | 3,860         | 0            | 13,525   |       |
| Other improper payments<br>(Appendix E)                | 0   | 514                                    | 0             | 55           | 569  |       |
| Improperly recorded utility<br>payments (Appendix F)   | 505   | 616                                    | 422           | 430          | 1,973  |       |
| Improper utility adjustments<br>(Appendix F)           | 0   | 153                                    | 81            | 0            | 234  |       |
| Utility services improperly not<br>billed (Appendix F) | 0   | 143                                    | 402           | 0            | 545  |       |
| <b>Total</b>   | <b>\$ 2,863</b>                                   | <b>23,918</b>                          | <b>11,742</b> | <b>5,929</b> | <b>44,452</b>                                  |       |

In addition, during the period January 2015 through July 2020, \$5,280 of improperly recorded utility payments and adjustments and utility services not billed were identified related to former Alderman Baker's utility account (Appendix H). Improperly recorded utility payments totaling \$430 and improper net adjustments of \$814 were applied to the former Alderman's utility account. In addition, we estimated \$4,036 of utility services were improperly not billed to the former Alderman, during periods when meter readings were not available.

<sup>4</sup> Amounts presented in the report findings are rounded to the nearest dollar, whereas amounts presented in the report appendixes are not rounded.



City of Cross Timbers  
Management Advisory Report - State Auditor's Findings

Undeposited city receipts

The City Clerk did not deposit \$21,861 of recorded city receipts. However, 2 city invoices totaling \$387 were likely paid with city cash receipts, resulting in net undeposited city receipts of \$21,474 (see Appendix C). One of the 2 city invoices likely paid was dated May 28, 2018, for \$12 for sewer supplies and the other invoice was dated November 16, 2018, for \$375 for pump repairs. In sworn testimony, the City Clerk indicated that she "sometimes, but not a lot," used city cash receipts for city purchases of supplies or for after hour services. As noted in the Background section, we issued a subpoena for the City Clerk to produce records and documents related to her testimony, including any other city invoices that were paid with cash, and she provided no documentation. The majority of the undeposited receipts were recorded as cash payments (\$10,077). Some of the undeposited receipts related to check and money order payments (\$9,056). However, it is likely these receipts were incorrectly recorded as checks and money orders instead of cash in the utility system. The utility system software provider indicated that if the method of payment was not recorded in the system, the system would default the method of payment to check. Based on customer payment history and/or discussions with customers, we determined \$3,448 of the \$9,056 recorded check and money order payments (38 percent) were likely paid by cash. The remaining undeposited receipts (\$2,728) were recorded as "other" payments (\$2,619) in the utility system or the method of payment was not indicated on manual receipt slip records (\$109). These receipts were also likely cash since no check or money order for these payments were located in the deposits. The method of payment noted on Appendix C was sometimes determined by comparing available receipt records to the contents of deposits.

From October to December 2017, of total receipts deposited (\$32,131) only 1 percent was cash (\$391). For 2018, only 3 percent of total receipts deposited (\$52,040) was cash (\$1,797). For 2019, only 2 percent of total receipts deposited (\$62,143) was cash (\$1,138). For comparison purposes, from January through July 2020 (after our audit was started in late 2019), 8 percent of total receipts deposited (\$54,128) was cash (\$4,129).

The amount of receipts recorded in the city's utility system in 2018 and 2019 fluctuated inconsistently in comparison to rate increases and the number of utility customers. We estimated what annual utility receipts should have been based upon utility receipts collected and deposited the last 3 months of 2017 (\$18,927), or approximately \$75,700 annually. The amount of utility receipts recorded in 2018 and 2019 compared to estimated annual utility receipts is shown below:

|                              | Actual Recorded<br>Utility Receipts | Estimated Annual<br>Utility Receipts |
|------------------------------|-------------------------------------|--------------------------------------|
| Year Ended December 31, 2018 | \$ 53,343                           | 75,700                               |
| Year Ended December 31, 2019 | \$ 47,924                           | 75,700                               |



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City of Cross Timbers  
Management Advisory Report - State Auditor's Findings

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As later discussed in this section and MAR finding number 6.1, utility billings were improperly adjusted and a large number of utility transactions were deleted from the utility system. Utility services were also improperly not billed. As a result, it is likely there are additional unrecorded and undeposited utility receipts.

While the number of utility customers fluctuated during 2018 and 2019, the highest number of utility customers was 76 in both years, the same number of utility customers reported in 2017. The city also increased water rates in increments beginning in September 2018 and sewer rates in November 2019, that would have resulted in higher estimated annual utility receipts. As a result, additional undeposited money is likely during these periods when recorded receipts are inconsistent.

The City Clerk recorded payments received in the utility system and on manual receipt slips and property tax statements. We compared payments recorded in the records retained to deposits to determine the amount of undeposited utility receipts.

### Personal bank account

On April 25, 2019, the City Clerk deposited \$1,503 of city receipts into her personal bank account. On April 26, 2019, the bank reversed the deposit from the City Clerk's personal bank account and recorded the deposit to the city's Water Fund bank account.

As discussed in the Background section, the Hickory County Prosecuting Attorney and the MSHP obtained personal bank records of the City Clerk, and turned those records over to our office for review.

We compared the amount of known missing city receipts to the amount of cash deposited into the City Clerk's personal bank account. We noted cash deposits into the City Clerk's personal bank account of amounts similar to (or typically greater than) the amount of missing city receipts during October 1, 2017, through July 31, 2020. During sworn testimony, the City Clerk indicated cash receipts deposited into her bank account were from working as a waitress and proceeds from the sale of artifacts and items purchased from storage units by the former Mayor, who lived with the City Clerk and shared a personal bank account.

### Overpayments

Overpayments totaling \$6,132 were made to the City Clerk, from November 3, 2017, through July 6, 2020 (see Appendix D). A comparison of all checks written to the City Clerk for compensation, duties, or with no purpose documented in the memo line of the check to amounts reported on calendars or the monthly payment amount approved by the Board, identified these overpayments.



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City of Cross Timbers  
Management Advisory Report - State Auditor's Findings

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The City Clerk's start date and monthly payment amount in 2017 was not documented in meeting minutes or a personnel file. In sworn testimony, the City Clerk indicated that she could not recall an exact date when she started working for the city, but believed it was in the fall of 2017. In addition, timesheets or calendars indicating hours of work, accounting records, and a 1099 form were not prepared by the City Clerk or the city for 2017 to support payments made to the City Clerk. However, the first check written to the City Clerk was for \$885 on November 3, 2017, and the memo line of the check indicated "Sept Wages." The City Clerk was also paid \$885 on November 20, 2017, and the memo line indicated "Nov Wages." Two other checks were issued for 2017 wages, one for \$1,192 with the purpose not legible on the memo line and one for \$1,105 for "Dec Wages." In sworn testimony, the City Clerk indicated she could not recall what her starting pay was or how the payment amount of these checks in 2017 were calculated. We calculated the City Clerk's payments for 2017 to be \$3,600, based upon the monthly payment amount of \$900 indicated on the 2018 calendar and for 4 months (September through December). However, the City Clerk issued herself checks totaling \$4,067, resulting in overpayments of \$467 during 2017.

The City Clerk maintained a calendar for 2018 by month that indicated her payment each month was \$900 (\$550 for City Clerk duties and \$350 for water/sewer duties) for 48 hours per month (576 hours or \$10,800 annually), and she was paid \$10 per hour for hours worked over 48 hours each month. The calendar indicated she worked 1,408.5 hours during the year or 832.5 hours over the 576 hour annual amount, resulting in additional payments of \$8,325. The City Clerk calculated her pay at the top of each month's calendar. However, these monthly pay amounts reported at the top of each month's calendar did not agree to any of the amounts paid each month. When questioned about these differences, the City Clerk provided an additional calendar for March 2018 through May 2018, that indicated 134 additional hours were worked for water and sewer maintenance duties. However, there was no calculation of the total hours worked or amount paid on that calendar. We calculated these water and sewer maintenance hours worked over 48 hours a month at \$10 per hour. The amount and hours worked on the 2 calendars also did not agree to the amount of payments made to the City Clerk in these months. It is not clear why the City Clerk maintained 2 calendars to track and report time worked and why the amounts and hours worked did not agree to amounts paid in any month this year. Also, hours worked over 48 hours a month were reported on the original calendar provided for March (100.5 hours worked over 48 hours), April (77 hours worked over 48 hours), and May (77 hours were worked over 48 hours), so it also is not clear why another calendar reported 134 more hours worked over 48 hours a month. The City Clerk did not prepare or retain timesheets, a payroll register, or a 1099 form to support payments made to herself in 2018. We calculated the City Clerk's payments based upon hours worked on the calendars totaling \$20,465



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City of Cross Timbers  
Management Advisory Report - State Auditor's Findings

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for 2018. However, the City Clerk issued herself checks totaling \$23,969, resulting in overpayments of \$3,504 during 2018.

The City Clerk maintained a calendar for 2019 that indicated her payments from January to September, was \$900 (\$550 for City Clerk duties and \$350 for water/sewer duties) for 48 hours per month (432 hours or \$8,100 for this 9 month period). The calendar also indicated she worked 818 hours or 386 hours of time over the 432 hours during these 9 months and was paid \$10 per hour for these hours, resulting in additional payments of \$3,860. On October 7, 2019, the Board voted to reduce the City Clerk's pay to \$550 per month (\$450 for City Clerk duties and \$100 for water and sewer duties) with no additional pay. This reduced the City Clerk's payments to \$1,650 for the remaining 3 months of the year. No timesheets or a payroll register were maintained by the City Clerk or the city to support payments made during 2019. We calculated the City Clerk's payments for 2019 as \$13,610 based upon hours worked on the calendars the first 9 months of the year and the Board approved payments of \$1,650 for the last 3 months of the year. However, the City Clerk issued herself checks totaling \$15,656, resulting in overpayments of \$2,046 during 2019. The City Clerk also issued a 1099 form to the Internal Revenue Service (IRS) reporting her payments as \$12,900 for 2019, resulting in unreported income of \$2,756. No records were prepared to support how the City Clerk calculated the amount reported on the 1099 form. In sworn testimony, the City Clerk indicated that she did not know why the amount reported on her 1099 form did not agree to the amount she was paid during the year.

No records (timesheets, calendars, or 1099 form) were prepared to support payments made to the City Clerk from January 1, 2020, through July 6, 2020. We calculated the City Clerk's payments as \$3,406 based upon the monthly payment of \$550 approved by the Board. However, the City Clerk issued herself checks totaling \$3,521, resulting in overpayments of \$115 during 2020.

Appendix D shows all checks written to the City Clerk compared to what her monthly payment amount should have been. The City Clerk's canceled checks and calendars were used to document the payment details and monthly payment amounts at Appendix D.

- The City Clerk was issued 67 checks during the 35 months she provided services to the city. The City Clerk sometimes issued herself a single check for both City Clerk and water and sewer duties and sometimes issued herself 2 checks for these duties. However, the City Clerk issued herself 3 checks for payment of these duties in March, April, May, November, and December 2018, and April and November 2019. The City Clerk issued herself 4 checks for payment of these duties in June 2018, and issued herself 5 checks for payment of these duties in January and



City of Cross Timbers  
Management Advisory Report - State Auditor's Findings

February of 2019. In addition, the former Mayor signed 50 of the 52 checks issued to the City Clerk from November 3, 2017, to September 4, 2019. The former Mayor resigned from the Board in September 2019.

Out of the 67 checks issued to the City Clerk, only 3 checks were for \$900 (the monthly payment amount for both City Clerk and water and sewer duties), 13 checks for \$550 (the monthly payment amount for City Clerk duties), and 12 checks for \$350 (the monthly payment amount for water and sewer duties). The timing of monthly payments was not consistent. Payments occurred at the first of the month, in the middle of the month, and end of the month. The inconsistent timing of payments allowed inappropriate payments to go undetected. The City Clerk also paid herself in advance of services performed (see MAR finding number 4.3).

- The City Clerk issued herself 4 checks totaling \$5,312 for uneven dollar amounts that appear questionable based upon monthly and additional payments being even dollar amounts. While the City Clerk indicated some of the payments could have included reimbursements for expenses, no documentation of the reimbursements were provided by the City Clerk or retained by the city.
- The City Clerk issued herself 3 checks during 2019 totaling \$2,250 with no purpose documented in the memo line of the check.

**Questionable payments**

Board meeting minutes did not indicate that the Board approved the City Clerk working more than 48 hours in a month or that she would get paid \$10 per hour for hours worked over 48 hours in a month. During 2018 and 2019, the City Clerk was paid \$13,525 (\$9,665 for 2018 and \$3,860 for 2019) for 1,352.5 hours worked (966.5 hours for 2018 and 386 hours for 2019) over 48 hour in a month at \$10 per hour. As a result, these additional payments are questionable.

**Other improper payments**

Supporting documentation was not maintained for \$569 of the \$609 spent for 4 reimbursements made to the City Clerk from April 27, 2018, through May 4, 2020, for postage, printer ink, and other supplies purchased (see Appendix E). One reimbursement for \$187 did not have supporting documentation for \$147 of the amount. In addition, the former Mayor signed 3 of these 4 reimbursement checks.

**Improperly recorded utility payments and improper adjustments and billings - City Clerk**

From October 1, 2017, through July 31, 2020, improperly recorded utility payments totaling \$1,973 and improper adjustments totaling \$234 were applied to the utility account of the City Clerk. In addition, the City Clerk did not properly bill herself for \$545 of utility services (see Appendix F). In sworn testimony, the City Clerk indicated she was the only person that had access to the utility system to enter water meter readings and to make adjustments.



City of Cross Timbers  
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Utility records show 20 payments occurred in 19 months (2 payments in 1 month) during the period October 2017 through July 2020, totaling \$2,152. However, our review of deposit records indicate 18 of these payments totaling \$1,973 did not get deposited. In sworn testimony, the City Clerk indicated in the months where the recorded payments were not deposited that those payments were adjustments.

Utility records also showed improper adjustments were made to the City Clerk's utility account on November 26, 2018, for \$153 with the reason for the adjustment indicated as "City Employee" and on March 4, 2019, for \$81 with the reason for the adjustment indicated as "EMPLOYEE." During recorded interviews with 3 former Board members, the Board members indicated the Board did not approve not billing the City Clerk for utility services. In addition, meeting minutes, ordinances, and policies did not provide for the City Clerk to not be billed for utility services. In addition, utility records showed the City Clerk improperly did not bill herself for \$545 of utility services during the months of November and December 2018, February through May 2019, and August 2019. Her account in the utility system indicated that her account was "EXEMPT from Charges." Also, the City Clerk indicated in the utility system that her account was exempt from penalties in November 2018 and March 2019, and therefore, was not billed for penalties.

When asked about the improperly recorded utility payments, improper adjustments, and the utilities not billed, in sworn testimony, the City Clerk indicated "if it's something that I need to pay back I mean I'm willing to do that." The City Clerk also indicated she did not know she was not supposed to get free utility service.

We obtained electronic utility billing and payment reports from the city, and bank statements and the contents of deposits from the city's bank. We compared activity reported on monthly utility billing and payment reports to utility bank deposits to determine if improperly recorded utility payments or improper adjustments were recorded/applied in the utility system. We calculated the amount of water and sewer fees improperly not billed based on water usage obtained from meter readings (see Appendix G) during these months, and water and sewer rates at the time of service.

**Improperly recorded utility payments and improper adjustments and billings - former Alderman**

The Board does not adequately monitor its activities for conflicts of interest. From January 2015 through September 2019 (the time period former Alderman Baker served on the Board and was not billed for utility services), we estimated the amount of utility services improperly not billed to former Alderman Baker totaled \$4,036. In addition, improperly recorded utility payments totaling \$430 and improper net adjustments of \$814 were applied to the utility account of former Alderman Baker (see Appendix H).





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Utility records showed former Alderman Baker was not properly billed an estimated \$4,036 for utility services from January 2015 through September 2019. No meter readings were documented for this account during this time, and the meter reading reports typically indicated the account was "vacant." We estimated the amount of utility services improperly not billed based on the average utility billing during 2014.

In a recorded interview, former Alderman Baker indicated he helped the former Maintenance Supervisor in exchange for free water and sewer services. However, this arrangement was not approved by the Board, was not documented or approved by city ordinance, and appears to be in violation of statutory prohibitions on conflicts of interest. Former Alderman Baker also indicated he stopped helping the city with water and sewer services when the city contracted with a new Maintenance Supervisor in March 2018. However, former Alderman Baker continued to receive free utility services until September 2019, when he resigned from the Board. In a recorded interview, Alderman Baker indicated he had talked to the City Clerk about not getting billed when he should have been billed, but did not get an answer. No other Board members received free utility services. The City Clerk indicated in sworn testimony, that she was aware former Alderman Baker's meter was not getting read. When we asked the City Clerk why Alderman Baker was not billed for utility services, she indicated in sworn testimony, "if you want me to be completely honest, he was on disability and couldn't make money. . . ."

Utility records also show payments of \$120 on February 3, 2020, \$160 on February 28, 2020, and \$150 on April 6, 2020, occurred. However, our review of deposit records indicate these payments did not get deposited.

Utility records also showed an improper adjustment was made to former Alderman Baker's utility account on January 5, 2015, for \$57 with the reason for the adjustment indicated as "i [sic] should have shown it off Dec. 15, 2014." In addition, according to the Hickory County Recorder of Deeds' office, this property was sold June 1, 2020. The amount billed in May by the City Clerk was only a penalty fee. There were no meter readings for May or June 2020, and the May and June meter reading indicated "off." Former Alderman Baker's balance as of May 21, 2020, was \$756, and the City Clerk took no steps to collect this past due balance from former Alderman Baker or obtain a forwarding address. The current City Clerk indicated she made an adjustment on July 28, 2020, to reduce the account balance to zero because the city did not place a lien on the property prior to the sale, and without a forwarding address or city attorney it would not be easy to pursue collection. However, an explanation for this adjustment was not documented and not approved by the Board, and former Alderman Baker still owes this balance to the city.



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Electronic utility billing and payment reports were obtained from the city, and bank statements and the contents of deposits were obtained from the city's bank. We compared activity reported on monthly utility billing and payment reports to utility bank deposits to determine if improperly recorded utility payments or improper adjustments were recorded/applied in the utility system.

Section 105.452.1(1), RSMo, provides that no elected official of any political subdivision shall act or refrain from acting in any capacity in which he is lawfully empowered to act as such an official or employee by reason of any payment, offer to pay, promise to pay, or receipt of anything of actual pecuniary value paid or payable, or received or receivable, to himself, made or received in relationship to or as a condition of the performance of an official act, other than compensation to be paid by the state or political subdivision. In addition, Section 105.458, RSMo, provides that no member of any governing body of any political subdivision shall perform any service for such political subdivision for any consideration other than the compensation provided for the performance of his official duties, unless it is bid and the offer accepted is the lowest bid received. Personal interests in business matters of the city create conflicts of interest, and a lack of independence could harm public confidence in the Board and reduce its effectiveness.

### Overall conclusion

The lack of segregation of duties and adequate controls, and the absence of proper oversight, as discussed in the remainder of this report, resulted in overpayments, questionable payments, improper payments, improperly recorded utility payments and adjustments, utility services improperly not billed, and undeposited city receipts going undetected for a significant period of time.

### Recommendation

The Board of Aldermen continue to work with law enforcement officials regarding criminal prosecution of the overpayments, questionable payments, improper payments, improperly recorded utility payments and adjustments, utility services improperly not billed, and undeposited city receipts; and take the necessary actions to obtain restitution. The Board should also closely examine city transactions to identify conflicts of interest.

### Auditee's Response

*The Board will continue to work with law enforcement officials regarding criminal prosecution of the overpayments, questionable payments, improper payments, improperly recorded utility payments and adjustments, utility services not billed, and undeposited city receipts; and take the necessary actions to obtain restitution. The Board will also closely examine for potential conflicts of interest in the future.*



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## 2. Financial Condition

The city is in poor financial condition, and the Board had not adequately monitored that condition. As a result, cash balances declined in 2019 and 2018.

The following table presents the changes in the city's cash balances for the 3 years ended December 31, 2020.

|                                     | Year Ended December 31, |         |          |
|-------------------------------------|-------------------------|---------|----------|
|                                     | 2020                    | 2019    | 2018     |
| Cash, January 1,                    | \$ 9,077                | 10,824  | 30,285   |
| Receipts                            | 117,055                 | 61,171  | 60,878   |
| Total Funds Available               | 126,132                 | 71,995  | 91,163   |
| Less: Disbursements                 | 98,911                  | 62,918  | 80,339   |
| Cash, December 31,                  | 27,221                  | 9,077   | 10,824   |
| Cash Balance Increase (Decrease) \$ | 18,144                  | (1,747) | (19,461) |

Source: Bank statements

Disbursements exceeded receipts in 2019 and 2018 causing cash balances to decrease. The cash flow problems resulted in the city not paying bills timely. Approximately \$50,000 was owed to various vendors at June 30, 2020, when the City Clerk resigned (see MAR finding numbers 4.2, 5.4, 5.6, and 6.6). In addition, as noted in MAR finding number 6.3, an estimated \$4,900 of the December 31, 2019, cash balance should have been on hand for customer utility service deposits. A similar amount should also be on hand for December 31, 2020.

The city received approximately \$11,000 in coronavirus aid and \$23,000 from insurance claims in 2020, and water and sewer receipts increased approximately \$20,600 from 2019, which helped improve the city's financial condition. However, the city still owed the IRS approximately \$15,000 in past due payroll taxes as of September 15, 2021 (see MAR finding number 4.2), and more than \$20,000 to 2 other vendors (see MAR finding number 5.6).

The misappropriations noted in MAR finding number 1 and deficient financial practices and procedures of the city have contributed to the poor financial condition. The Board and City Clerk also failed to (1) monitor the city's cash balances and incurred overdraft and maintenance fees (see MAR finding number 5.3), (2) prepare budgets (see MAR finding number 7.1), (3) develop adequate procedures for collection of delinquent utility accounts (see MAR finding number 6.4), (4) prepare a statement of costs to determine the appropriate utility rates (see MAR finding number 6.5), and (5) separately account for restricted funds (see MAR finding number 5.5). Also, other internal control weaknesses are noted throughout this report.



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The city has taken some actions to address the financial situation. The city increased water rates beginning in September 2018 and sewer rates beginning in November 2019. Also, in November 2019, the Board voted to end the practice of providing free water and sewer service to a contracted worker and to reduce the monthly payments to the City Clerk. However, since city officials had not prepared budgets or financial projections, it is unclear whether these changes will be sufficient to significantly improve the city's financial situation.

It is essential the Board address the financial condition of the city in both the immediate and long-term future. In addition, the Board needs to develop a plan to pay existing obligations and fund future projects, reduce spending where possible, evaluate controls and management practices to ensure efficient use of resources, monitor detailed financial data, and prepare and closely monitor budgets. The City Clerk did not always provide the Board with financial records likely to help conceal the misappropriations in MAR finding number 1 and the city's financial condition. The Board indicated it relied on the City Clerk to communicate city finances, and was not aware it should monitor the city's financial condition.

## Recommendation

The Board of Aldermen perform immediate and long-term planning, and closely monitor and take necessary steps to improve the city's financial condition.

## Auditee's Response

*The Board has since implemented a long-term plan and are currently closely monitoring all transactions through bimonthly, monthly, and annual reports and budgets, and is taking steps to improve the city's financial condition.*

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## 3. Oversight, Annual Audits, and City Ordinances

The Board did not establish adequate oversight or obtain annual audits as required by state law. City ordinances also need improvement.

### 3.1 Oversight and segregation of duties

The Board did not establish adequate segregation of duties or supervisory reviews over the various financial accounting functions performed by the City Clerk. Weaknesses identified throughout this report are significant and demonstrate a lack of segregation of duties and proper oversight by the Board that led to the misappropriations noted in MAR finding number 1.

Proper segregation of duties helps ensure transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties is not possible, timely supervisory or independent reviews of work performed and investigation into unusual items and variances is necessary. Good management practices require extensive and detailed oversight by the



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Board. The Board indicated it was unaware of the importance of segregating duties or performing a supervisory review.

### 3.2 Annual audits

The city has not obtained annual audits of its combined water and sewer system as required by state law.

Section 250.150, RSMo, requires the city obtain annual audits of the combined water and sewer system and the cost be paid from revenues received from the system. The city is also required to obtain annual audits as a condition of the construction loan/grant. The Board indicated it was unaware of these requirements.

### 3.3 City ordinances

City ordinances are not complete and have not been updated since 2013.

- The city does not have ordinances establishing the compensation of city officials and employees.
- Ordinances are poorly maintained. Many ordinances are old and not updated. In addition, an index of all ordinances passed and rescinded by the city is not maintained, making it difficult to determine which ordinances remain in effect.
- City Ordinance No. 13-5-1 authorizing the amount billed to water and sewer customers has not been updated since 2013 and is not the current amount billed to water and sewer customers.

In July 2018, the Board approved increasing water rates and changing the water rate structure, and in November 2019, the Board approved increasing sewer rates and changing the sewer rate structure.

Because ordinances passed by the Board to govern the city and its residents have the force and effect of law, it is important they are current, complete, and followed. In addition, ordinances documenting approved compensation and utility rates help ensure equitable treatment and prevent misunderstandings. Section 79.270, RSMo, authorizes the Board to fix the compensation of city officials and employees by ordinance. The Board indicated it was unaware of the importance of updating city ordinances and of the compensation ordinance requirement.

## Recommendations

The Board of Aldermen:

- 3.1 Segregate accounting duties to the extent possible and implement appropriate reviews and monitoring procedures.
- 3.2 Obtain annual audits of the combined water and sewer system as required by state law and loan/grant.



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**Auditee's Response**

- 3.3 Establish the compensation of all city officials and employees by ordinance as required by statute, ensure ordinances are maintained in a complete and well-organized manner, establish an index of all ordinances passed and rescinded, and update ordinances for water and sewer rates.
- 3.1 *The Board is currently given all transactions through bimonthly, monthly, and annual reports and budgets. The Board will spot check balances and will be provided monthly bank statements showing all transfers and cash deposits, tracing these back to provided budgets.*
- 3.2 *The Board will prepare an audit report from the water and sewer utility software system annually. The Board will also consider obtaining an independent audit in the future as funds are available.*
- 3.3 *The Board has updated some ordinances and will have all required ordinances updated and maintained.*

**4. Payroll and Related Matters**

Significant improvement over controls and procedures related to contract workers and payroll is needed.

The city classified the City Clerk and former Maintenance Supervisor as independent contractors. Payments to the City Clerk during the period of October 1, 2017, through July 6, 2020, are shown on Appendix D. The Board did not approve utility services to be provided to the City Clerk as part of her monthly compensation. Payments to the former Maintenance Supervisor during the period of March 12, 2018, through December 6, 2019, totaled \$20,743, which likely included reimbursements of \$93 in his final payment. The value of utility services provided to the former Maintenance Supervisor totaled \$1,341 during this period.

**4.1 Employment classifications**

The Board did not document the basis for classifying the City Clerk and the former Maintenance Supervisor as independent contractors rather than employees. The City Clerk indicated these positions were formerly classified as city employees, however, beginning in 2013, the city reclassified the positions as independent contractors and no documentation was maintained for the decision.

Proper classification of employees is necessary to ensure compliance with various state and federal laws and regulations. Section 105.300, RSMo, defines an elected or appointed officer or employee of a political subdivision as an employee for Social Security and Medicare tax purposes. The failure to withhold and properly report payroll and income taxes for city employees makes the city potentially subject to additional tax liabilities along with penalties and interest. For employees, the IRS requires employers to report compensation on W-2 forms and withhold and remit income and payroll



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taxes. Similarly, Chapter 143, RSMo, includes requirements for reporting wages and withholding state income taxes.

#### 4.2 Past due payroll taxes

The Board and City Clerk did not pay past due taxes, interest, and penalties due for 13 quarters from the quarters ending from December 2010 to December 2013. As a result, the city owes the IRS \$15,255 as of September 15, 2021, in unpaid past due taxes (\$8,739), and penalties and interest (\$6,516), with the amount of penalties and interest continuing to increase as these amounts remain unpaid.

The city started making monthly payments of \$139 in December 2019. However, the monthly payment is not sufficient to reduce the balance of the taxes owed because the penalties and interest increase is more than the payments made. In addition, there was no mention of the past due balance owed to the IRS in Board meeting minutes from January 2018 through November 2019; therefore, some Board members may not have been aware of it.

The Internal Revenue Code requires employers to file a 941 form by the last day of the month following the end of the quarter, along with payment of Social Security and Medicare taxes withheld from employees and the employer's share, as well as federal income taxes withheld.<sup>5</sup>

#### 4.3 Pay advances

The City Clerk issued herself pay advances totaling \$7,311 from November 2017 through February 2019 in violation of the Missouri Constitution. Eight checks were issued prior to the end of the month in which services were provided. For example, 1 check for \$1,094 written on June 28, 2018, indicated on the check memo line that it was for "Wages July" and another check for \$350 written on July 5, 2018, indicated on the check memo line that it was for "July Water Operator Wages." Both checks were issued in advance of the hours worked in July 2018, and the City Clerk's approved monthly payment was only \$900.

Advance payments are loans of city funds. The city has no statutory authority to make loans and Article VI, Sections 23 and 25 of the Missouri Constitution, specifically prohibit counties, cities, or other political subdivisions of the state from granting public money or things of value to any corporation, association, or individual. The City Clerk likely made these advance payments as part of the misappropriations noted in MAR finding number 1. The Board indicated it was unaware of this prohibition.

#### 4.4 Timesheets

As noted in MAR finding number 1, the City Clerk did not prepare timesheets. In addition, calendars maintained documenting hours worked

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<sup>5</sup> 26 CFR Section 31.6011(a)-1, 26 CFR Section 31.6071(a)-1, 26 CFR Section 31.6151-1(a)



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were not retained for 2017 and 2020, and calendars maintained for 2018 and 2019 were not always accurate. In addition, Board members indicated the calendars were not always submitted for their review, and when they were submitted, the Board did not document review of them. Timesheets or other documentation of work performed were not prepared by the former Maintenance Supervisor to support contracted payments made.

Without adequate timesheets or other documentation of work performed, the city cannot ensure hours worked by employees or contracted work performed is properly documented. To ensure the accuracy of the hours worked or work performed, timesheets or other documentation supporting work hours should be signed by the employee/contract worker and reviewed and approved by the Board. In addition, Fair Labor Standards Act (FLSA) regulation Section 29 CFR Section 516.2(a) requires employers to maintain accurate records of actual time worked by employees. The City Clerk's failure to prepare accurate timesheets or calendars of time worked or submit them for the Board's review helped conceal the misappropriations in MAR finding number 1. The Board indicated it was unaware of the importance of reviewing the City Clerk's calendars and the related payments or of requiring the former Maintenance Supervisor to prepare documentation of work performed.

#### 4.5 Independent contractors

As previously noted, the city misclassified the City Clerk and former Maintenance Supervisor as independent contractors rather than employees during 2017, 2018, 2019, and 2020. However, had this classification been appropriate, the Board did not enter into a written contract with the City Clerk and the City Clerk did not prepare and file 1099 forms for payments made to herself during 2017 and 2018, and as noted in MAR finding number 1 prepared an inaccurate 1099 form for 2019 payments.

In sworn testimony, the City Clerk indicated that she did not know why the amount reported on her 1099 form for 2019 did not agree to the amount she was paid during the year, and that she could possibly have missed something. A 1099 form was also not prepared by the current City Clerk for payments made to the City Clerk in 2020.

In addition, the City Clerk did not prepare and file a 1099 form for payments made and the value of free utility services provided to the former Maintenance Supervisor for 2018, and the 1099 form for 2019 was not accurate and did not include the value of free utility services received. During 2019, the former Maintenance Supervisor was issued checks of \$11,243 and received utility services of \$772, with total compensation totaling \$12,015. However, the 1099 form for 2019 reported total payments of \$11,450.

Section 432.070, RSMo, requires contracts of political subdivisions be in writing. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties. Sections





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6041 through 6050W of the Internal Revenue Code require non-wage payments of at least \$600 in one year for professional services or for services performed as a trade or business by non-employees (other than corporations, except for medical and legal services), be reported to the federal government on 1099 forms. The City Clerk likely did not prepare and file an accurate 1099 form in 2019 to conceal the misappropriations discussed in MAR finding number 1, and indicated she was unaware she needed to file a 1099 form in 2017 and 2018. The Board indicated it was not aware of these requirements.

#### 4.6 Cost allocations

The city had no documentation to justify the allocation of the amounts paid the City Clerk and former Maintenance Supervisor to the various city bank accounts.

During the period from October 2017 through July 6, 2020, payments to the City Clerk totaled \$47,214 with \$42,492 (90 percent) paid from the water and sewer bank accounts and \$4,722 (10 percent) from the city tax (general) bank account. All of the payments (\$42,042) from October 2017 through October 2019, came from the water and sewer bank accounts, and all of the payments (\$4,622) from December 2019 through July 6, 2020, came from the general bank account, with no allocation by work performed during these months.

During the period March 12, 2018, through December 6, 2019, payments to the former Maintenance Supervisor totaled \$20,743 with \$18,550 (90 percent) paid from the water and sewer bank accounts; \$1,943 (9 percent) from the general bank account; and \$250 (1 percent) from the gas tax bank account.

According to the City Clerk's calendars, the City Clerk's base payment (\$900 per month) should have been allocated 61 percent (\$550/\$900) to general city operations and 39 percent (\$350/\$900) to water/sewer services from January 2018 to October 2019. According to Board meeting minutes, starting in November 2019, the City Clerk's base payment was decreased to \$550 per month and should have been allocated 82 percent (\$450/\$550) to general city operations and 18 percent (\$100/\$550) to water/sewer services. However, no documentation was maintained indicating how the allocation of time was determined, and as previously noted, payments to the City Clerk from city bank accounts were not in accordance with these percentages. In addition, no documentation regarding the purpose of the City Clerk's overtime hours was retained, and no documentation was maintained to show how to allocate to the city's accounts the payments to the former Maintenance Supervisor for services performed.

The proper allocation of expenditures is necessary 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 funds are used for intended purposes, the allocation of expenditures



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to city accounts should be based on specific criteria and documentation supporting allocation decisions should be retained. City officials indicated they were unaware of the importance of allocating these costs to the appropriate funds.

## Recommendations

The Board of Aldermen:

- 4.1 Determine the proper classification for the City Clerk and Maintenance Supervisor to ensure compliance with state and federal laws and regulations.
- 4.2 Ensure sufficient payments of past due payroll taxes are remitted timely to the appropriate taxing entities to reduce balances due.
- 4.3 Discontinue the practice of providing pay advances to workers.
- 4.4 Ensure timesheets or other records of work performed are prepared accurately, retained, and properly signed and approved.
- 4.5 Execute and retain written contracts for services that specify the services to be rendered and the manner and amount of payments to be paid. The Board should also establish procedures to ensure all payments are properly reported and payroll taxes withheld and remitted to the appropriate taxing entity. The Board and the current City Clerk should prepare or amend the applicable tax forms issued to the City Clerk and former Maintenance Supervisor for compensation provided as appropriate.
- 4.6 Allocate disbursements to city accounts based on specific criteria and retain documentation to support the allocation.

## Auditee's Response

- 4.1 *The Board will verify the classification for the City Clerk and the Maintenance Supervisor. The Board currently has 1099 contracts with the City Clerk and the Maintenance Supervisor that designate duties and salary. Proper tax forms have been filed with the IRS for tax year 2021. The Board will contact the U.S. Department of Labor to evaluate the correct classification and make changes accordingly. The Board will ensure that ordinances setting changes will be enacted.*
- 4.2 *The Board will increase the monthly payment to the IRS. The current payment of \$139.01 was at the advice of an IRS employee who met with Board members in 2019. The Board will contact the IRS to establish proper payment to minimize penalties moving forward.*



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- 4.3 *The Board will pay employees bimonthly versus monthly, therefore eliminating any financial burden of the employee. The Board will not make payroll advances moving forward and will enact a policy stating this.*
- 4.4 *Current employees are salaried and not subject to timesheets or overtime. The current City Clerk provides the Board with activities worked bimonthly at City Council meetings. The Board will enact a policy that the Maintenance Supervisor will provide a checklist of work related activities bimonthly at City Council meetings and to be reviewed and signed by the Board. The Board will require timesheets from the City Clerk and Maintenance Supervisor moving forward.*
- 4.5 *The Board currently has written contracts with the City Clerk and Maintenance Supervisor that detail job duties and salary. Forms 1099 were filed for the City Clerk and Maintenance Supervisor with the IRS for 2021. The Board and current City Clerk will prepare and amend tax forms for the former City Clerk and Maintenance Supervisor for 2017, 2018, and 2019.*
- 4.6 *All payments are currently disbursed from city accounts based upon criteria and the Board will retain documentation to support how costs are divided.*

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## 5. Accounting Controls and Procedures and Disbursements

Accounting controls and procedures and disbursements need improvement. During the period October 1, 2017, through July 31, 2020, city receipts totaled \$246,634 and disbursements totaled \$234,232.

### 5.1 Receipting, recording, and depositing

The city's procedures for receipting, recording, and depositing payments received were poor.

- Manual receipt slips were not always issued and property tax statements were not always marked paid or retained. As a result, unrecorded receipts totaling at least \$59,364 were deposited during the period of October 1, 2017, through July 31, 2020.
- The City Clerk did not always accurately and promptly record water/sewer receipts to customer accounts in the utility system, and some utility payments were not posted to the utility system. During our cash count in October 2019, we noted one receipt was posted to the system for the incorrect amount. In addition, deposit records obtained from the bank indicated one customer's \$200 payment was deposited on April 6, 2018, but the customer's account in the utility system showed the payment



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recorded on June 21, 2018. Deposit and utility system records showed a \$52 payment made on January 6, 2020, by a utility customer had not been posted to the utility system as of July 31, 2021.

- The method of payment (cash, check, or money order) was not always recorded on manual receipt slips or on property tax statements. In addition, if the method of payment was not marked in the utility system, the system's default method of payment was by check. We noted numerous instances where a check payment was not included in the related deposits. The City Clerk also marked utility payments as "other" payments in the utility system without indicating the method of payment. In addition, the City Clerk did not reconcile the composition of receipts to the composition of deposits.
- The City Clerk did not issue manual receipt slips in numerical sequence, some receipt slips were skipped and not properly defaced to prevent later use, and electronic transaction numbers were not entered in date order in the utility system.
- The City Clerk did not always deposit receipts intact and occasionally withheld cash receipts from deposits to pay city invoices, as indicated in MAR finding number 1. For example, \$1,887 of utility receipts recorded on June 14 and 18, 2019, were not deposited on June 24, 2019, with other receipts issued around these dates, and were held until deposited on July 8, 2019.

Failure to implement adequate receipting, recording, and depositing procedures increases the risk that loss, theft, or misuse of money will go undetected. The City Clerk's failure to properly receipt, record, or deposit money helped conceal the misappropriations in MAR finding number 1. The Board indicated it was unaware of the importance of properly receipting, recording, and depositing money.

## 5.2 Bank reconciliations, checks, and accounting records

The City Clerk did not prepare bank reconciliations for any of the city's 7 bank accounts; maintain a checkbook register, or book balances; and always issue checks in numerical order. Based on checks that cleared the bank accounts during the 2 years ended December 31, 2019, there were 62 instances where one or more check numbers were skipped, resulting in 137 skipped checks whose disposition (unused, voided, issued but outstanding, etc.) could not be determined. The City Clerk indicated she was unaware of the need to prepare bank reconciliations and maintain a checkbook register or book balances, and sometimes issued checks out of order.

Performing monthly bank reconciliations helps ensure receipts and disbursements have been properly handled and recorded, and increases the likelihood errors will be identified and corrected timely. Maintaining a



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checkbook register, book balance, or a list of disbursements for each account would aid in preparing the monthly bank reconciliations and monitoring the bank balances. In addition, issuing checks in numerical sequence, accounting for the numerical sequence of checks issued, and defacing and retaining void checks will help to properly account for all disbursements and reduce the risk of unauthorized transactions.

### 5.3 Board review and approval process

The City Clerk did not prepare a list of bills or monthly financial reports for the Board's review. Board members indicated bank statements and monthly utility reports were sometimes provided to the Board for review, but they did not document this review. We tested 5 payment transactions totaling \$7,952 using judgmental selection from a population of disbursements during 2018.<sup>6</sup> Our review of disbursements showed that Board members also did not always review invoices or require invoices to be marked paid, several payments were made with no supporting documentation, and documentation of the receipt of goods or services on the invoices was not required.

The Board also failed to monitor the city's cash balances. As a result, the city incurred \$864 in overdraft and maintenance charges in the general, water, sewer, and gasoline tax (street) bank accounts from October 1, 2017, through July 6, 2020. Had the Board reviewed the bank statements, the improper payments and the declining cash balances could have been questioned.

By approving all disbursements and reviewing supporting documentation, bank information, and canceled checks; and requiring the receipt of goods and services prior to payment, the Board can help safeguard against possible loss or misuse of funds. Board approval of disbursements is typically documented by signing or initialing a monthly list of bills. Canceling invoices and other supporting documentation reduces the likelihood of duplicate payments. By more closely monitoring bank account balances, the Board can better prevent bank account overdraft and maintenance charges. City officials indicated they were unaware of the importance of preparing a list of bills and monthly financial reports, and documenting the Board's review and approval process.

### 5.4 Sewer loan requirements

The Board and City Clerk did not ensure required sewer loan payments occurred. On August 24, 2020, the United States Department of Agriculture (USDA) notified the current City Clerk that the city failed to make required loan payments in 2019, totaling \$5,980.

The sewer loan documents required the city to make an annual payment of \$14,342, and the city makes monthly payments of \$1,196 towards this requirement. The USDA notification indicated missed payments occurred for

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<sup>6</sup> Due to the nature of the sample, the results cannot be projected to the population.



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March, April, June, July, and August 2019. The city still owes approximately \$1,556 of the \$5,980 past due balance to the USDA as of September 1, 2021. There was no mention of the past due balances owed to the USDA in the 2019 meeting minutes. However, the City Clerk indicated in a recorded interview under oath that the city was in financial distress and the Board was aware of the amounts due to the USDA.

Failure to comply with loan agreements could jeopardize future grant and/or financing opportunities for the city.

### 5.5 Excessive and unauthorized transfers and commingling of restricted funds

The City Clerk made excessive and unauthorized transfers between various bank accounts. These transfers of restricted funds to other accounts allowed improper disbursements to occur and not be detected. The city also has not established adequate procedures to ensure restricted funds are credited to the appropriate account or used only for intended purposes.

A review of the city's bank statements indicated 174 transfers totaling \$197,976 occurred between bank accounts from October 1, 2017, through July 6, 2020. Ninety-seven of these transfers were for amounts less than \$1,000. The majority of these transfers were not approved by the Board and were made inappropriately from various restricted accounts. In addition, the city transferred amounts from the Meter Fund bank account, which was used to hold utility customer deposits (MAR finding number 6.3), to other bank accounts, when cash balances had been depleted to pay city bills. During the 2 years ended December 31, 2019, the city made transfers totaling \$1,115 from the Meter Fund bank account to other city bank accounts. The City Clerk indicated in a recorded interview under oath that she was responsible for all transfers between bank accounts and the city was in financial distress.

The city has commingled restricted funds with unrestricted funds and does not properly account for the balances of restricted funding. During the period of October 2017 through July 2020, the city received approximately \$162,000 in customer payments for water and sewer services and approximately \$24,300 in state motor vehicle-related receipts. While the city maintained separate bank accounts for water, sewer, and gasoline tax (state motor vehicle-related receipts), the City Clerk frequently deposited water and sewer receipts into the general bank account, made transfers among these various accounts, and did not track the balances of the restricted funds. As a result, city officials could not determine at a point in time what portion of the city's funds had restricted usage.

To ensure city funding is used for the intended purpose, transfers of restricted funds should be approved by the Board and reasons and support for transfer amounts should be adequately documented. In addition, Section 250.150.1, RSMo, restricts the use of water and sewer receipts for operating the systems, payment of bonds, establishment of a reserve, fulfillment of any agreements



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contained in ordinances, and payment of costs of improvements of such systems. Section 250.150.2, RSMo, prohibits the transfer of water and sewer receipts except by action of the city governing body and only after all system operation and maintenance expenses and debt payments have been paid. Missouri Constitution, Article IV, Section 30(a) and 30(b), requires motor vehicle-related receipts apportioned by the state of Missouri be disbursed for road purposes only. Separate accounting of restricted funds is necessary to ensure compliance with these limitations. City officials indicated they were unaware of these requirements for restricted funds.

### 5.6 Untimely payments

The City Clerk did not ensure some bills were paid timely. As of June 30, 2020, 3 invoices totaling \$28,888 were outstanding for telephone, electric, and pumping equipment and service bills, with these bills being past due from 5 months to 2 years. The city still owed 2 of these 3 vendors more than \$20,000 as of September 15, 2021.

Establishing procedures to ensure bills are paid timely will help prevent unnecessary fees and other charges. There was no mention of the past due balances owed for electric and pumping equipment and service in the 2018, 2019, and January 1, 2020, through July 6, 2020, Board meeting minutes. However, the City Clerk indicated in a recorded interview that she was aware of these past due bills and presented them to the Board, and the Board instructed her not to pay them. The July 23, 2020, meeting minutes indicated the Board had discovered \$14,000 was past due for electric service, after the City Clerk had resigned, and the September 21, 2020, meeting minutes contained discussion of the past due amounts for pumping equipment and service. Some Board members indicated they were unaware of these past due bills while the City Clerk was providing services to the city.

### 5.7 Record retention

City officials could not provide copies of some meeting minutes, invoices, delinquent notices from the IRS, the City Clerk's calendars of time worked, 1099 forms, and documentation of expense reimbursements.

Retention of records is necessary to ensure the validity of transactions and provide an audit trail. Section 109.270, RSMo, provides that all records made or received by an official in the course of his/her public duties are public property and are not to be disposed of except as provided by law. In addition, Section 109.255, RSMo, provides that the Local Records Board issue directives for the destruction of records. Record retention schedules are available on the Secretary of State's website.<sup>7</sup> The City Clerk likely did not retain these documents to help conceal the misappropriations in MAR finding number 1.

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<sup>7</sup><<https://www.sos.mo.gov/archives/localrecs/schedules>>



## Recommendations

The Board of Aldermen:

- 5.1 Issue prenumbered receipt slips for all payments received, indicate the method of payment on all receipt slips, account for the numerical sequence of receipt slips, reconcile the composition of receipts to the composition of deposits, require receipts be accurately and promptly recorded to the utility system, and deposit all payments received intact. Additionally, discontinue paying city expenses from city receipts and if a petty cash fund is needed to pay city expenses, the Board should authorize the fund and its uses and require the fund be maintained on an imprest basis and all activity be recorded on a petty cash fund ledger.
- 5.2 Ensure monthly bank reconciliations are prepared for all bank accounts; checkbook registers, book balances, and lists of disbursements are maintained; and checks are issued in numerical sequence with the sequence properly accounted for.
- 5.3 Ensure an accurate and complete monthly list of bills is prepared and compared to invoices and checks written, and monthly financial reports are prepared and reviewed for accuracy. In addition, the Board should ensure invoices are marked paid and adequately reviewed, and require documentation of receipt of goods and/or services prior to payment of invoices. The Board should also document its review of monthly bank statements and utility reports and properly monitor bank account balances to avoid bank charges.
- 5.4 Ensure compliance with payment requirements of loan agreements.
- 5.5 Monitor and reduce the number of transfers made between bank accounts, and ensure transfers are not prohibited by state law. The Board should also determine the amount of restricted funds in the city's accounts and establish separate funds or a separate accounting of this money, including the balances.
- 5.6 Ensure all invoices are paid timely.
- 5.7 Retain records in accordance with state law.

## Auditee's Response

- 5.1 *Prenumbered receipt slips are now issued for all payments received, and the amount paid and method of payment are recorded on the receipt slip. Receipt slips are then copied and placed in the customer file and the numerical sequence accounted for. Original receipt slips are mailed to the customer. The utility payment is then recorded in the electronic utility system. The city does not maintain any petty cash. No city expenses are paid with cash. Moving forward the*





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*composition of utility receipts will be reconciled to the composition of deposits into the Water bank account and then sewer receipts will be transferred to the Sewer bank account to ensure utility receipts are deposited intact. All cash receipts are recorded in duplicate.*

5.2 *The Board now receives the bank reconciliations at each monthly meeting. A copy of the check and invoice documenting payment is placed in the vendor file. There is an electronic check register maintained and checks are in numerical order and accounted for. A list of bills paid as well as account balances is reported to the Board bimonthly.*

5.3 *A list of bills paid as well as account balances is reported to the Board bimonthly. All payments are verified with an invoice and a copy of the check. The Board will enact a policy of all Board members signing documents to document their review, including monthly bank statements and utility reports. Invoices will be marked received. The Board is currently receiving reconciled bank balances at each Board meeting.*

5.4 *The Board is notified of electronic payment monthly along with an annual statement from USDA. The Board will contact the USDA in regard to balance of past due amount.*

5.5 *The City Clerk has minimized transfers between accounts. The Board is advised bimonthly the account balance of restricted funds. The Board will review bank statements monthly to verify transfers and ensure correct amounts of restricted funds are in proper accounts.*

5.6 *All invoices are currently paid upon receipt ensuring timely payments.*

5.7 *All current records are maintained in accordance with state law.*

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## **6. Utility System Controls and Procedures**

Utility system controls and procedures need improvement. The city provided utility services to 61 to 76 customers monthly during the period October 1, 2017, through July 31, 2020. According to the city's utilities system reports, the city received payments for water and sewer services totaling approximately \$163,000 during this period.

### **6.1 Adjustments and deleted transactions**

As previously mentioned in MAR finding number 1, improper adjustments were made to the utility account of the City Clerk and former Alderman Baker. The reasons noted included "City Employee" and "EMPLOYEE" for the City Clerk and "Moved" or "i [sic] should have shown it off Dec. 15, 2014" for former Alderman Baker.



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In addition, according to the utility system, during the period of October 2017 through July 2020, the City Clerk made 108 adjustments to customer accounts netting \$16,420. Of these adjustments, \$12,154 were not explained by water leaks, meter misreads, or contract provisions. No explanation or reason was documented for some of the adjustments. We also noted 2 of these adjustments totaling \$231 were made to 2 utility customer accounts that indicated "payment not posted" and "PAYMENT DIDNT [*sic*] POST." These utility customers typically paid their utility bill monthly with cash. These adjustments were likely additional payments (not included in MAR finding number 1) that were not deposited and are missing. We noted several other adjustments with unusual reasons documented for the purpose. Of the net adjustments of \$16,420, \$4,705 occurred from October 1 to December 31, 2017, \$5,694 occurred during the year ended December 31, 2018, \$4,150 occurred during the year ended December 31, 2019, and \$1,871 occurred from January 1 to July 31, 2020, which may be attributable to the unusual fluctuations in utility receipts noted in MAR finding number 1. As a result, many of the adjustments are questionable. The City Clerk made the majority of these adjustments without obtaining independent approval by the Board.

The City Clerk also had the ability to delete transactions, and the Board did not review and approve deleted transactions in the utility system or periodically obtain a report of deleted transactions from the utility system vendor to review. During the period of October 2017 through July 2020, 4,414 of 10,073 transactions (44 percent) entered into the utility system were deleted from the utility system. According to the software provider, once a transaction is deleted from the system there is no evidence of the transaction other than a missing transaction number in the sequence of transactions. No explanation or reason was documented for any of the deleted transactions, and as a result, the deleted transactions are questionable. There were 177 deleted transactions from October 1 to December 31, 2017, 185 during the year ended December 31, 2018, 849 during the year ended December 31, 2019, and 3,203 from January 1 to July 31, 2020, which may be attributable to the unusual and unexplained fluctuations in utility receipts noted in MAR finding number 1.

Retaining documentation to support adjustments and deleted transactions helps ensure such adjustments or transactions are appropriate. In addition, an independent and/or supervisory review and approval of adjustments and deletions is necessary to ensure such transactions are appropriate and reduce the risk of errors, loss, theft, or misuse of funds. The City Clerk likely did not retain documentation of adjustments and deleted transactions or present the adjustments and deletions to the Board to conceal the misappropriations in MAR finding number 1. The City Clerk indicated in a recorded interview under oath that she was solely responsible for making the adjustments and that she did not get approval from the Board to make the adjustments. The City Clerk also indicated in a recorded interview under oath that she did not



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know what we were talking about when questioned about the significant number of deleted transactions. The Board indicated it was not aware of the importance of reviewing adjustments and deletions made to the utility system.

## 6.2 Utility reconciliations

City personnel do not prepare proper reconciliations related to utility services.

- The City Clerk did not perform monthly reconciliations of amounts billed, payments received, and amounts unpaid for utility services. Monthly reconciliations are necessary to ensure accounting records balance, transactions are properly recorded, and errors or discrepancies are detected timely.
- The Water Supervisor did not perform monthly reconciliations of total gallons of water billed to gallons of water pumped. Monthly reconciliations of gallons of water billed to gallons of water pumped are necessary to help detect significant water loss or other problems and ensure all water usage is properly billed.

While the utility system has the information necessary to perform these calculations, no one reviews or reconciles it. Had these reconciliations been performed and provided to the Board for review, the improper adjustments and utility services not billed may have been detected. City officials indicated they were not aware of the importance of preparing and reviewing these reconciliations.

## 6.3 Utility deposits

The city does not reconcile customer utility deposit balances reported in the utility system to the city's Meter Fund bank account, and as noted in MAR finding number 5.5, the City Clerk transferred amounts from the Meter Fund bank account to other bank accounts to pay city bills.

The city collects a \$100 deposit from new water customers and deposits this money in the Meter Fund bank account. In prior years, new water customers were required to pay varying amounts (less than \$100) for deposits. At our request, on January 3, 2020, the City Clerk generated a detailed list of 59 customer deposits from the utility system totaling \$3,611. However, a utility system report indicated that there were 72 customers for the December 2019 billing cycle. No records could be found for the remaining 13 utility customers. We estimated an additional \$1,300 (13 customers at \$100 each) of utility deposits should be on hand, for a total estimated liability of \$4,911. As of January 3, 2020, the Meter Fund bank account had a balance of \$303, resulting in an estimated shortage of \$4,608.

Refundable utility deposits are restricted funds held for customers. Periodic reconciliation of customer utility deposit balances to city accounting records is necessary to ensure sufficient funds are available for deposit refunds. Such reconciliations would allow for prompt detection of discrepancies. City



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officials indicated they were unaware of the importance of reconciling utility deposit balances to city records.

#### 6.4 Delinquent utility accounts

Delinquent utility accounts are not always shut off after 30 days past due as required by ordinance, and the City Clerk allowed some customers to make partial payments on delinquent accounts without Board approval. According to city records, delinquent account balances increased during 2019, and as of December 31, 2019, the city had 21 accounts totaling \$6,433 that were at least 30 days past due. This amount exceeds the average 2019 monthly water and sewer billings of \$4,792.

The City Clerk indicated some customers valves were faulty, and until those valves were fixed in October 2019, the City Clerk suspended shut off procedures to all customers; however, this change was not approved by the Board. In addition, the City Clerk allowed customers with large overdue balances to make payments over 5 months, however, the City Clerk made these arrangements without Board approval. In addition during 2018, the City Clerk posted \$378 in adjustment credits and \$710 in improper payments toward a customer's delinquent account balance in exchange for assisting the City Clerk with office duties without Board approval. No record of the hours worked by the utility customer was prepared and retained.

City ordinance No. 2012-1 section 4 requires delinquent accounts be shut off when the account is more than a month overdue. Failure to enforce city ordinances results in inconsistent application of shut off procedures and reduces the incentive for customers to make timely payments. Allowing customers to receive service without paying reduces the incentive to make payments, reduces city receipts, and could impact the utility rates for other paying customers. In addition, the Board needs to approve the signed written payment agreements to ensure the agreements were proper.

#### 6.5 Water and sewer rates

Current water and sewer rates are not supported by a cost study or other documentation showing how the rates were determined. The Board increased water rates in September 2018 and sewer rates in November 2019 and July 2020, without preparing a cost study or maintaining documentation to support how the rate increases were calculated. Without current cost studies, it is unclear whether the rates assessed for these services are set at an appropriate level. In December 2019, the Board obtained a study that indicated water rates should be increased, but the Board has not increased the rates.

Section 67.042, RSMo, requires the city to prepare a statement of costs necessary to maintain the funding of the service. The city needs to periodically review the costs and consider expenses such as debt service costs, the need for the extension of the system, equipment repairs and replacement, depreciation, enlargement of plant, capital improvements, and operating and incidental expenses. Although the statute only requires a statement of costs,



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the preparation of a comprehensive cost study would assist the city in determining the rates necessary to support current and future operations and provide documentation to customers of the rationale behind the rates.

## 6.6 Sales tax

The Department of Revenue (DOR) notified the city in April 2021, that the city had not filed or remitted sales taxes collected related to utility services provided for some months. The notice indicated the city owed sales taxes, interest, and penalties totaling \$787 for the months of March, June, September, and December 2017 and also December 2020. These balances due were paid in June 2021. The notice also indicated the city had not filed returns for the months of September 2016, September and December 2018, and June 2019. The city filed those returns and remitted \$1,528 to the DOR in June 2021 for these months.

Section 144.080, RSMo, requires sales tax collections be reported and remitted to the DOR on a monthly or quarterly basis, depending on the amounts collected. Additionally, penalties may be assessed under Section 144.250, RSMo, because of the city's failure to remit these sales taxes. Pursuant to 12 CSR 10-110.955(3)(B), sales by the state of Missouri and its political subdivisions are subject to tax. City officials indicated they were not aware of these requirements.

## Recommendations

The Board of Aldermen:

- 6.1 Evaluate utility system changes to prevent or track deleted transactions, and require an independent and/or supervisory review and approval of all adjustments and deleted transactions made in the utility system.
- 6.2 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.
- 6.3 Periodically reconcile customer utility deposits per the utility system to accounting records and cash balances, and promptly investigate any differences.
- 6.4 Ensure utility service is shut off in accordance with city ordinance. In addition, if the Board wants to allow partial payments, the Board should establish a written partial payment policy, review and approve customer payment agreements, and monitor delinquent accounts.
- 6.5 Ensure a statement of costs is prepared to support utility rate increases and document formal reviews of utility rates periodically to ensure revenues are sufficient to cover all costs of providing these services.



## Auditee's Response

- 6.6 Ensure sales taxes collected are reported and remitted timely.
- 6.1 *The Board will request transaction sequence numbers quarterly for deleted transactions from the utility software provider. The Board will enact a policy of reviewing and approving all adjustments made monthly. This will be printed along with the end of month reports that are currently provided by the City Clerk.*
- 6.2 *The Board currently receives end of month reports from the utility system, including a director's report that covers these areas. Any differences will be investigated and documented in the minutes.*
- 6.3 *The Board will enact a policy of reviewing and reconciling a report of the utility system deposits to accounting records and cash balances biannually. The Board will investigate any differences.*
- 6.4 *The city currently has no delinquent accounts requiring service shut off. The City Clerk is diligent in letting utility customers know of impending service shut off. The city has also contracted with the state, through the Department of Social Services, regarding a payment program to defer disconnection. The Board will enact a policy of partial payments for customers seeking assistance through this program. The Board will approve all partial payment agreements.*
- 6.5 *Currently any rate increases are documented in the minutes. The city will have a rate increase in April. This rate increase is based upon the previous rate study conducted.*
- 6.6 *All sales taxes are currently being reported and remitted in a timely manner.*

## 7. Budgets and Financial Reporting

Budgeting and financial reporting procedures need improvement. The city did not prepare annual budgets, publish semiannual financial statements, and file annual financial reports. The annual financial reports filed were not accurate.

### 7.1 Budgets

The City Clerk did not prepare a budget for the years ended December 31, 2020, 2019, and 2018.

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 tax levies and informing the public about city operations and current finances. Section 67.010, RSMo, requires the budget present a



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complete financial plan for the ensuing budget year and sets specific guidelines for the information to be included in the budget. In addition, Section 67.080, RSMo, provides that no expenditures of public money should be made unless it is authorized in the budget. Proper monitoring of budgeted amounts to actual results is necessary for the budget to be an effective management tool. City officials indicated they were not aware of these requirements.

## 7.2 Financial reporting

City officials did not file timely annual financial reports with the State Auditor's Office (SAO) as required by state law, and the financial statements filed were not accurate.

The city did not file an annual financial report for the 6 years ended December 31, 2013, through 2018. In addition, the city did not file annual financial reports for the years ended December 31, 2019, and 2020, for at least a month after the filing deadline. The financial statements prepared for these years were not accurate. The financial statement for the year ended December 31, 2019, did not accurately report the city's cash balances, and the one for the year ended December 31, 2020, had mathematical errors.

Section 105.145, RSMo, requires each political subdivision to file annual reports of its financial transactions with the SAO. Section 105.145.5, RSMo, prohibits elected officials from continuing to receive compensation or processing disbursements after the deadline to submit the financial statement and until the financial statement is submitted to the SAO. Section 105.145.9, RSMo, allows political subdivisions to be fined \$500 per day for missing filing deadlines. In addition, 15 CSR 40-3.030, requires each political subdivision to file annual financial reports within 6 months of the end of the subdivision's fiscal year. City officials indicated they were not aware of these requirements.

## 7.3 Published financial statements

The city has not published financial statements for the years ended December 31, 2020, 2019, and 2018. As a result, information regarding the city's financial activity and condition is not available to citizens.

Section 79.160, RSMo, requires the Board to prepare and publish semiannual financial statements that include a full and detailed account of the receipts, disbursements, and indebtedness of the city. City officials indicated they were not aware of this requirement.

## Recommendations

The Board of Aldermen:

- 7.1 Prepare accurate annual budgets that contain all information required by state law, and ensure the budgets are adequately monitored.



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## Auditee's Response

- 7.2 Submit accurate annual financial reports timely to the State Auditor's Office as required by state law.
- 7.3 Ensure publication of the city's semiannual financial statements as required by state law.
- 7.1 *The City Clerk currently provides the Board with a monthly and annual budget that details all accounts.*
- 7.2 *The City Clerk currently submits accurate annual financial reports timely to the State Auditor's Office.*
- 7.3 *The City Clerk currently provides financial statements to the newspaper to publish biannually, as well as posting on the door at city hall.*

## 8. Sunshine Law

The Board did not always prepare and maintain meeting minutes. In addition, the Board has not adopted a written policy regarding public access to district records as required by state law.

### 8.1 Meeting minutes

City officials could not locate meeting minutes for monthly Board meetings occurring in March, April, May, and June 2018, and also February and July 2019. In addition, open meeting minutes for the 2 meetings in November 2019 indicated the Board went into closed sessions, but the minutes did not document the specific reasons or section of law allowing the meetings to be closed, and minutes were not maintained for the closed sessions.

Section 610.020.7, RSMo, states minutes of open and closed meetings shall be taken and retained by the public governmental body. Meeting minutes serve as an official record of city business conducted and city actions and decisions. In addition, Section 610.022, RSMo, requires public bodies announce the specific reasons allowed by law for going into a closed meeting and to enter the vote and reason into the minutes. City officials indicated they were not aware of these requirements.

### 8.2 Public access policy

The Board has not adopted a written policy regarding public access to city records as required by state law. A written policy regarding public access to city records would establish guidelines for the city to make records available to the public. Such policies typically identify a person to contact, provide an address to mail such requests, and establish fees that may be assessed for providing copies of public records.

Section 610.023, RSMo, lists requirements for making records available to the public. Section 610.026, RSMo, allows the city to charge fees for providing access to and/or copies of public records and provides requirements related to fees. Section 610.028, RSMo, requires a written policy regarding





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release of information under the Sunshine Law. City officials indicated they were not aware of these requirements.

## Recommendations

The Board of Aldermen:

- 8.1 Ensure meeting minutes are prepared and retained for all open and closed meetings, and ensure specific reasons for closing a meeting are documented in the open meeting minutes.
- 8.2 Develop a written public access policy.

## Auditee's Response

- 8.1 *The city currently maintains all public Board meeting minutes, as well as closed Board meeting minutes. The Board will enact a policy of publicly stating the reason for each closed meeting.*
- 8.2 *The city adopted a written public access Sunshine Law ordinance on May 17, 2021.*

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## 9. Electronic Data Security

Controls over the city computer are not sufficient to prevent unauthorized access, and sufficient plans and processes are not in place for recovering systems and data. As a result, city records are not adequately protected and are susceptible to unauthorized access, and the city faces an increased risk of not being able to resume normal business operations timely.

### 9.1 Passwords

The city has not established adequate password controls to reduce the risk of unauthorized access to the city's computers and data. The password to access the computer and utility system are not changed periodically, and the password is not required to contain a minimum number of characters.

Passwords are required to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords are not periodically changed and do not require a minimum number of characters, there is less assurance access to computers and data files is limited to only those individuals who need access to perform their job responsibilities. Passwords should be unique, confidential, contain a minimum number of characters, and be changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data. City officials indicated they were not aware of the importance of changing the password and for password to contain a minimum number of characters.

### 9.2 Antivirus software

The city did not have antivirus software installed on the city's computer to ensure protection of city data.

Without adequate antivirus protection, there is an increased risk that the computer will be infected and that unauthorized processes will have an



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adverse impact on the confidentiality, integrity, or availability of a system. City officials indicated they were not aware of the importance of installing antivirus software.

### 9.3 Data backup

The city does not periodically back up some city data and store the backup data at a secure off-site location. While the utility software vendor maintains monthly backup of the utility files, the city does not maintain backup copies of other city computer files.

Preparation of backup data, preferably on a daily or at least weekly basis, provides reasonable assurance data could be recovered if necessary. To help prevent loss of information and ensure essential information and computer systems can be recovered, computer data should be backed up, tested periodically to ensure data can be recovered, and stored at a secure off-site location. City officials indicated they were not aware of the importance of backing up city data and storing it off-site.

## Recommendations

The Board of Aldermen:

- 9.1 Ensure passwords are periodically changed and contain a minimum number of characters to prevent unauthorized access to the city's computer and data.
- 9.2 Ensure the city's computer and systems are adequately protected from computer viruses.
- 9.3 Require data to be backed up regularly, tested periodically, and stored in a secure off-site location.

## Auditee's Response

- 9.1 *The city currently has the city computer password protected as well as programs requiring password protection. Passwords will be changed quarterly and contain the minimum number of characters.*
- 9.2 *The City Clerk will research antivirus software and bring before the Board for approval and purchase.*
- 9.3 *The City Clerk currently biannually backs up the computer on a flash drive, and the Board will enact a policy of providing the Mayor a copy of the flash drive to maintain off-site. All computer files are currently saved to the cloud daily. The utility system is backed up daily by the software provider. Back up files are periodically tested to verify use and operation.*



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## 10. Electronic Communication Policy

The city has not developed a records management and retention policy in compliance with the Missouri Secretary of State Records Services Division guidance, as approved by the Missouri Local Records Commission. This guidance recommends government entities have a policy on electronic messaging, including text messages, email, and other third party platforms.

Section 109.270, RSMo, provides that all records made or received by an official in the course of his/her public duties are public property and are not to be disposed of except as provided by law. Section 109.255, RSMo, provides that the Local Records Board issue directives for the destruction of records. The guidelines for managing electronic communications records can be found on the Secretary of State's website.<sup>8</sup> City officials indicated they were not aware of these requirements.

To ensure compliance with state law, the Board needs to develop a written policy to address the use of personal email, social media and message accounts, and management and retention of electronic communications.

### Recommendation

The Board of Alderman 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.

### Auditee's Response

*The Board will enact a written policy for records management and retention of electronic communications.*

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<sup>8</sup> Missouri Secretary of State Records Services Division, *Electronic Communications Records Guidelines for Missouri Government*, May 14, 2019, <<https://www.sos.mo.gov/CMSImages/LocalRecords/CommunicationsGuidelines.pdf>>, accessed February 3, 2022.

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# City of Cross Timbers

## Organization and Statistical Information

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The City of Cross Timbers is located in Hickory County. The city was incorporated in 1948 and is currently a fourth-class city. The city had 2 contracted workers on December 31, 2018.

City operations include utility services (water and sewer), street maintenance, and park services.

### Mayor and Board of Aldermen

The city government consists of a mayor and 4-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 and Board of Aldermen, at December 31, 2018, are identified below. The Mayor and Board of Aldermen receive no compensation.

Robert Ritchie, Mayor (1)  
Roy Baker, Alderman (2)  
Billy Mitchell, Alderman  
Wayne Trepanier, Alderman (3)  
Vacant (4)

- (1) In November 2019, Terri Gillette was appointed to fill the remainder of the term of Robert Ritchie, who resigned in September 2019. In 2020, she was elected to fill the unexpired 1 year term, and continues to serve because no election for Mayor was held in 2021.
- (2) In September 2019, Jon Dwire was appointed to fill the remainder of the term of Roy Baker, who resigned in September 2019. He was subsequently elected in April 2020.
- (3) In September 2019, Rick Foster was appointed to fill the remainder of the term of Wayne Trepanier, who resigned in July 2019. He was subsequently elected in April 2020 and resigned in September 2020. In January 2021, Russ King was appointed to fill the remainder of the term.
- (4) The vacant position occurred when Cleo Fields resigned in November 2018. David Lehman was elected in April 2019, and resigned in December 2019. In January 2020, Bonita Davis was appointed and subsequently elected in April 2020 to fill the remainder of the term and was elected in April 2021 for a 2 year term.

### Financial Activity

A summary of the city's financial activity obtained from bank statements for the years ended December 31, 2018, 2019, and 2020, follows:



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Organization and Statistical Information

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Schedule of Receipts, Disbursements, and Changes in Cash  
3 Years Ended December 31, 2020

|                                      | Year Ended December 31, 2018 |                      |               |               |                    |                     |                        | Total    |
|--------------------------------------|------------------------------|----------------------|---------------|---------------|--------------------|---------------------|------------------------|----------|
|                                      | City Tax Account             | Gasoline Tax Account | Water Account | Sewer Account | Meter Fund Account | Sewer 92/07 Account | Certificate of Deposit |          |
| RECEIPTS                             | \$ 3,197                     | 8,728                | 45,577        | 3,167         | 101                | 3                   | 105                    | 60,878   |
| DISBURSEMENTS                        | 8,995                        | 1,246                | 10,807        | 59,126        | 90                 | 75                  | 0                      | 80,339   |
| RECEIPTS OVER (UNDER) DISBURSEMENTS  | (5,798)                      | 7,482                | 34,770        | (55,959)      | 11                 | (72)                | 105                    | (19,461) |
| OTHER FINANCING SOURCES (USES)       |                              |                      |               |               |                    |                     |                        |          |
| Transfers in                         | 4,949                        | 0                    | 3,200         | 54,125        | 1,280              | 400                 | 0                      | 63,954   |
| Transfers out                        | (480)                        | (11,299)             | (37,970)      | (1,300)       | (2,555)            | (10,350)            | 0                      | (63,954) |
| Total Other Financing Sources (Uses) | 4,469                        | (11,299)             | (34,770)      | 52,825        | (1,275)            | (9,950)             | 0                      | 0        |
| CASH, JANUARY 1, 2018                | 1,330                        | 3,979                | 562           | 3,358         | 1,285              | 10,041              | 9,730                  | 30,285   |
| CASH, DECEMBER 31, 2018              | \$ 1                         | 162                  | 562           | 224           | 21                 | 19                  | 9,835                  | 10,824   |
|                                      | Year Ended December 31, 2019 |                      |               |               |                    |                     |                        | Total    |
|                                      | City Tax Account             | Gasoline Tax Account | Water Account | Sewer Account | Meter Fund Account | Sewer 92/07 Account | Certificate of Deposit |          |
| RECEIPTS                             | \$ 2,702                     | 8,798                | 49,337        | 0             | 200                | 15                  | 119                    | 61,171   |
| DISBURSEMENTS                        | 4,406                        | 75                   | 34,848        | 23,372        | 78                 | 90                  | 49                     | 62,918   |
| RECEIPTS OVER (UNDER) DISBURSEMENTS  | (1,704)                      | 8,723                | 14,489        | (23,372)      | 122                | (75)                | 70                     | (1,747)  |
| OTHER FINANCING SOURCES (USES)       |                              |                      |               |               |                    |                     |                        |          |
| Transfers in                         | 3,714                        | 0                    | 14,480        | 26,471        | 210                | 56                  | 0                      | 44,931   |
| Transfers out                        | (337)                        | (6,740)              | (26,224)      | (1,675)       | (50)               | 0                   | (9,905)                | (44,931) |
| Total Other Financing Sources (Uses) | 3,377                        | (6,740)              | (11,744)      | 24,796        | 160                | 56                  | (9,905)                | 0        |
| CASH, JANUARY 1, 2019                | 1                            | 162                  | 562           | 224           | 21                 | 19                  | 9,835                  | 10,824   |
| CASH, DECEMBER 31, 2019              | \$ 1,674                     | 2,145                | 3,307         | 1,648         | 303                | 0                   | 0                      | 9,077    |
|                                      | Year Ended December 31, 2020 |                      |               |               |                    |                     |                        | Total    |
|                                      | City Tax Account             | Gasoline Tax Account | Water Account | Sewer Account | Meter Fund Account | Sewer 92/07 Account | Certificate of Deposit |          |
| RECEIPTS                             | \$ 18,621                    | 8,481                | 43,916        | 45,737        | 300                | 0                   | 0                      | 117,055  |
| DISBURSEMENTS                        | 44,313                       | 0                    | 6,446         | 48,152        | 0                  | 0                   | 0                      | 98,911   |
| RECEIPTS OVER (UNDER) DISBURSEMENTS  | (25,692)                     | 8,481                | 37,470        | (2,415)       | 300                | 0                   | 0                      | 18,144   |
| OTHER FINANCING SOURCES (USES)       |                              |                      |               |               |                    |                     |                        |          |
| Transfers in                         | 29,299                       | 0                    | 0             | 16,075        | 300                | 0                   | 0                      | 45,674   |
| Transfers out                        | (2,682)                      | (7,789)              | (35,183)      | 0             | (20)               | 0                   | 0                      | (45,674) |
| Total Other Financing Sources (Uses) | 26,617                       | (7,789)              | (35,183)      | 16,075        | 280                | 0                   | 0                      | 0        |
| CASH, JANUARY 1, 2020                | 1,674                        | 2,145                | 3,307         | 1,648         | 303                | 0                   | 0                      | 9,077    |
| CASH, DECEMBER 31, 2020              | \$ 2,599                     | 2,837                | 5,594         | 15,308        | 883                | 0                   | 0                      | 27,221   |

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# City of Cross Timbers

## Supporting Documentation of Misappropriated Money and Utility Services

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The following appendixes provide supporting documentation for the misappropriated money and subpoenas issued as discussed in MAR finding number 1 and are summarized in the following table.

| Appendix | Type of Supporting Documentation  |
|----------|---|
| A        | State Auditor Subpoena - January Clark  |
| B        | State Auditor Subpoena - Robert Ritchie   |
| C        | Undeposited City Receipts   |
| D        | Overpayments and Questionable Payments to City Clerk  |
| E        | Other Improper Payments to City Clerk   |
| F        | Improperly Recorded Utility Payments, and Improper Adjustments and Billings for City Clerk      |
| G        | Utility Billing Calculations for City Clerk   |
| H        | Improperly Recorded Utility Payments, and Improper Adjustments and Billings for Former Alderman |

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Address and bank account numbers  
have been redacted.



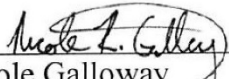
**OFFICE OF MISSOURI STATE AUDITOR**

**SUBPOENA**

To: **January Clark**  
[Redacted]

YOU ARE COMMANDED AND REQUIRED to appear personally before the State Auditor or her representative(s) at the Landers State Office Building 149 Park Central Square, Suite 814 Springfield MO 65806 at 9:00 a.m. on Monday, November 22, 2021, for purposes of providing testimony and producing for examination, copying, and interrogation the records and documents listed on Exhibit A attached to this Subpoena.

ISSUED this 10th day of November, 2021, pursuant to Section 29.235.4(1), RSMo.

  
\_\_\_\_\_  
Nicole Galloway  
Missouri State Auditor

I served the foregoing subpoena by Hand Delivered on this 10th day of November, 2021.

  
\_\_\_\_\_  
Pamela Allison



## OFFICE OF MISSOURI STATE AUDITOR

### EXHIBIT A

You are to preserve for production and inspection, and then appear as instructed on the attached subpoena and produce for inspection and examination, the following items in your possession or under your control:

All documents or other records, in whatever form, whether hard copy or electronic, pertaining or belonging to the City of Cross Timbers for the time period of August 2017 to July 2020.

This request includes, but is not limited to, the following:

Records related to the city's 6 Oak Star Bank accounts (including account numbers [REDACTED], and [REDACTED]);

Any and all payroll records, calendars, timesheets, invoices, reimbursement claim forms, receipt slips, property tax invoices, utility reports, financial statements, Board minutes, or any other City of Cross Timbers Board records.

This request for records includes all materials that exist in paper ("hard copy") or electronic form (including but not limited to records and data maintained on computers, tablets, smart phones, external electronic storage drives, thumbnail drives, remote servers or back up tapes). All information requested in the items above are subject to inspection, review and copying by the State Auditor. Section 29.235.4(1), RSMo.





Address and bank account numbers  
have been redacted.

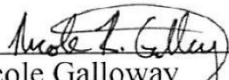


**OFFICE OF MISSOURI STATE AUDITOR**  
**SUBPOENA**

To: **Robert Ritchie**  
[Redacted]

YOU ARE COMMANDED AND REQUIRED to appear personally before the State Auditor or her representative(s) at the Landers State Office Building 149 Park Central Square, Suite 814 Springfield MO 65806 at 9:00 a.m. on Monday, November 22, 2021, for purposes of providing testimony and producing for examination, copying, and interrogation the records and documents listed on Exhibit A attached to this Subpoena.

ISSUED this 10th day of November, 2021, pursuant to Section 29.235.4(1), RSMo.

  
\_\_\_\_\_  
Nicole Galloway  
Missouri State Auditor

I served the foregoing subpoena by Hand Delivered on this 10 day of November, 2021.

  
\_\_\_\_\_



## OFFICE OF MISSOURI STATE AUDITOR

### EXHIBIT A

You are to preserve for production and inspection, and then appear as instructed on the attached subpoena and produce for inspection and examination, the following items in your possession or under your control:

All documents or other records, in whatever form, whether hard copy or electronic, pertaining or belonging to the City of Cross Timbers for the time period of August 2017 to July 2020.

This request includes, but is not limited to, the following:

Records related to the city's 6 Oak Star Bank accounts (including account numbers [REDACTED] and [REDACTED]);

Any and all payroll records, calendars, timesheets, invoices, reimbursement claim forms, receipt slips, property tax invoices, utility reports, financial statements, Board minutes, or any other City of Cross Timbers Board records.

This request for records includes all materials that exist in paper ("hard copy") or electronic form (including but not limited to records and data maintained on computers, tablets, smart phones, external electronic storage drives, thumbnail drives, remote servers or back up tapes). All information requested in the items above are subject to inspection, review and copying by the State Auditor. Section 29.235.4(1), RSMo.

Appendix C  
City of Cross Timbers  
Undeposited City Receipts  
October 1, 2017, through July 31, 2020

| Deposit Date      | (1)<br>Recorded<br>Cash<br>Receipts | (1)<br>Recorded<br>Checks and<br>Orders<br>Receipts | (1)<br>Recorded<br>Other<br>Receipts | (1)<br>Receipts<br>with<br>Unknown<br>Method of<br>Payment | (2)<br>Unrecorded<br>Checks and<br>Orders | Total<br>Receipts | Cash<br>Deposited | Checks and<br>Money<br>Deposited |                  | Total<br>Undeposited<br>Over/(Under) | Adjustment<br>for City<br>Invoices<br>Likely Paid<br>With Cash<br>Receipts | Net Total<br>Undeposited<br>Over/(Under) |
|-------------------|-------------------------------------|---|--------------------------------------|--|---|-------------------|-------------------|----------------------------------|------------------|--------------------------------------|--|--|
|                   |                                     |   |                                      |  |   |                   |                   | Orders                           | Total            |                                      |  |  |
| 10/04/17          | \$ 0.00                             | 454.27  | (3) 0.00                             | 0.00   | 0.00                                      | 454.27            | 0.00              | 454.27                           | 454.27           | 0.00                                 | 0.00   | 0.00                                     |
| 10/05/17          | 160.00                              | 244.58  | 0.00                                 | 0.00   | 100.00                                    | 504.58            | 100.00            | 236.87                           | 336.87           | (167.71)                             | 0.00   | (167.71)                                 |
| 10/12/17          | 151.04                              | 565.74  | 0.00                                 | 0.00   | 15,460.57                                 | 16,177.35         | 211.00            | 16,095.91                        | 16,306.91        | 129.56                               | 0.00   | 129.56                                   |
| 10/23/17          | 0.00                                | 2,743.40  | 372.85                               | 0.00   | 425.83                                    | 3,542.08          | 0.00              | 2,722.86                         | 2,722.86         | (819.22)                             | 0.00   | (819.22)                                 |
| 10/24/17          | 0.00                                | 0.00  | 0.00                                 | 0.00   | 0.00                                      | 0.00              | 0.00              | 526.00                           | 526.00           | 526.00                               | 0.00   | 526.00                                   |
| 10/30/17          | 101.12                              | 14.61   | 0.00                                 | 0.00   | 100.00                                    | 215.73            | 0.00              | 1,104.15                         | 1,104.15         | 888.42                               | 0.00   | 888.42                                   |
| 11/03/17          | 0.00                                | 0.00  | 0.00                                 | 0.00   | 0.00                                      | 0.00              | 80.00             | 1,956.63                         | 2,036.63         | 2,036.63                             | 0.00   | 2,036.63                                 |
| 11/07/17          | 0.00                                | 201.25  | 0.00                                 | 50.00  | 0.00                                      | 251.25            | 0.00              | 1,736.43                         | 1,736.43         | 1,485.18                             | 0.00   | 1,485.18                                 |
| 11/14/17          | 380.21                              | 5,706.48  | (3) 101.70                           | 0.00   | 0.00                                      | 6,188.39          | 0.00              | 1,076.99                         | 1,076.99         | (5,111.40)                           | 0.00   | (5,111.40)                               |
| 11/20/17          | 0.00                                | 0.00  | 0.00                                 | 0.00   | 379.36                                    | 379.36            | 0.00              | 1,070.07                         | 1,070.07         | 690.71                               | 0.00   | 690.71                                   |
| 11/28/17          | 0.00                                | 1,213.25  | 0.00                                 | 0.00   | 0.00                                      | 1,213.25          | 0.00              | 457.04                           | 457.04           | (756.21)                             | 0.00   | (756.21)                                 |
| 12/07/17          | 337.37                              | 1,582.81  | 0.00                                 | 0.00   | 27.91                                     | 1,948.09          | 0.00              | 1,610.72                         | 1,610.72         | (337.37)                             | 0.00   | (337.37)                                 |
| 12/15/17          | 288.21                              | 1,629.53  | 0.00                                 | 0.00   | 264.50                                    | 2,182.24          | 0.00              | 1,832.03                         | 1,832.03         | (350.21)                             | 0.00   | (350.21)                                 |
| 12/22/17          | 100.00                              | 473.27  | (3) 0.00                             | 0.00   | 391.95                                    | 965.22            | 0.00              | 859.97                           | 859.97           | (105.25)                             | 0.00   | (105.25)                                 |
| <b>Total 2017</b> | <b>1,517.95</b>                     | <b>14,829.19</b>                                    | <b>474.55</b>                        | <b>50.00</b>   | <b>17,150.12</b>                          | <b>34,021.81</b>  | <b>391.00</b>     | <b>31,739.94</b>                 | <b>32,130.94</b> | <b>(1,890.87)</b>                    | <b>0.00</b>  | <b>(1,890.87)</b>                        |
| 01/04/18          | 430.00                              | 1,128.72  | 0.00                                 | 0.00   | 62.50                                     | 1,621.22          | 0.00              | 1,089.95                         | 1,089.95         | (531.27)                             | 0.00   | (531.27)                                 |
| 01/11/18          | 280.00                              | 1,153.36  | 0.00                                 | 0.00   | 0.00                                      | 1,433.36          | 0.00              | 1,132.46                         | 1,132.46         | (300.90)                             | 0.00   | (300.90)                                 |
| 01/18/18          | 572.32                              | 1,378.54  | 0.00                                 | 0.00   | 484.25                                    | 2,435.11          | 0.00              | 1,793.42                         | 1,793.42         | (641.69)                             | 0.00   | (641.69)                                 |
| 01/22/18          | 546.25                              | 382.85  | (3) 0.00                             | 0.00   | 0.00                                      | 929.10            | 100.00            | 206.55                           | 306.55           | (622.55)                             | 0.00   | (622.55)                                 |
| 02/01/18          | 100.00                              | 609.50  | 184.38                               | 0.00   | 1,500.24                                  | 2,394.12          | 0.00              | 2,109.44                         | 2,109.44         | (284.68)                             | 0.00   | (284.68)                                 |
| 02/05/18          | 205.00                              | 278.33  | 0.00                                 | 35.12  | 0.00                                      | 518.45            | 179.00            | 183.78                           | 362.78           | (155.67)                             | 0.00   | (155.67)                                 |
| 02/09/18          | 88.21                               | 724.20  | 0.00                                 | 0.00   | 0.00                                      | 812.41            | 0.00              | 818.75                           | 818.75           | 6.34                                 | 0.00   | 6.34                                     |
| 02/14/18          | 0.00                                | 543.93  | 0.00                                 | 0.00   | 0.00                                      | 543.93            | 0.00              | 503.93                           | 503.93           | (40.00)                              | 0.00   | (40.00)                                  |
| 02/16/18          | 174.02                              | 474.82  | 39.69                                | 0.00   | 9.98                                      | 698.51            | 0.00              | 417.26                           | 417.26           | (281.25)                             | 0.00   | (281.25)                                 |
| 02/21/18          | 0.00                                | 882.95  | 0.00                                 | 0.00   | 579.70                                    | 1,462.65          | 0.00              | 1,455.08                         | 1,455.08         | (7.57)                               | 0.00   | (7.57)                                   |
| 02/26/18          | 874.42                              | 840.68  | 0.00                                 | 0.00   | 0.00                                      | 1,715.10          | 0.00              | 840.68                           | 840.68           | (874.42)                             | 0.00   | (874.42)                                 |
| 03/01/18          | 360.00                              | 348.16  | 50.78                                | 0.00   | 0.00                                      | 758.94            | 0.00              | 348.16                           | 348.16           | (410.78)                             | 0.00   | (410.78)                                 |
| 03/07/18          | 100.00                              | 933.78  | 0.00                                 | 0.00   | 0.00                                      | 1,033.78          | 0.00              | 803.78                           | 803.78           | (230.00)                             | 0.00   | (230.00)                                 |
| 03/12/18          | 0.00                                | 871.90  | 0.00                                 | 23.76  | 0.00                                      | 895.66            | 0.00              | 756.56                           | 756.56           | (139.10)                             | 0.00   | (139.10)                                 |
| 03/14/18          | 0.00                                | 252.84  | 293.00                               | 0.00   | 247.94                                    | 793.78            | 40.21             | 595.57                           | 635.78           | (158.00)                             | 0.00   | (158.00)                                 |

Appendix C  
City of Cross Timbers  
Undeposited City Receipts  
October 1, 2017, through July 31, 2020

| Deposit Date | (1)<br>Recorded Cash Receipts | (1)<br>Recorded Checks and Money Orders Receipts | (1)<br>Recorded Other Receipts | (1)<br>Receipts with Unknown Method of Payment | (2)<br>Unrecorded Checks and Money Orders | Total Receipts | Checks and Money Deposited |                  |                 | Total Undeposited Over/(Under) | Adjustment for City Invoices Likely Paid With Cash Receipts | Net Total Undeposited Over/(Under) |
|--------------|-------------------------------|--|--------------------------------|--|---|----------------|----------------------------|------------------|-----------------|--------------------------------|---|------------------------------------|
|              |                               |  |                                |  |   |                | Cash Deposited             | Orders Deposited | Total Deposited |                                |   |                                    |
| 03/15/18     | 102.87                        | 496.30   | 0.00                           | 0.00   | 0.00                                      | 599.17         | 0.00                       | 496.33           | 496.33          | (102.84)                       | 0.00  | (102.84)                           |
| 03/16/18     | 100.00                        | 101.83   | 420.00                         | 0.00   | 0.00                                      | 621.83         | 100.00                     | 101.83           | 201.83          | (420.00)                       | 0.00  | (420.00)                           |
| 03/21/18     | 180.00                        | 691.19   | 0.00                           | 0.00   | 0.00                                      | 871.19         | 0.00                       | 1,195.39         | 1,195.39        | 324.20                         | 0.00  | 324.20                             |
| 03/28/18     | 130.00                        | 633.01   | 70.04 (4)                      | 0.00   | 0.00                                      | 833.05         | 0.00                       | 503.33           | 503.33          | (329.72)                       | 0.00  | (329.72)                           |
| 04/06/18     | 0.00                          | 813.00   | 0.00                           | 0.00   | 100.00                                    | 913.00         | 0.00                       | 1,113.00         | 1,113.00        | 200.00                         | 0.00  | 200.00                             |
| 04/13/18     | 78.21                         | 1,268.04   | 0.00                           | 0.00   | 36.90                                     | 1,383.15       | 0.00                       | 1,153.47         | 1,153.47        | (229.68)                       | 0.00  | (229.68)                           |
| 04/18/18     | 133.95                        | 699.29   | 0.00                           | 0.00   | 76.88                                     | 910.12         | 44.00                      | 776.17           | 820.17          | (89.95)                        | 0.00  | (89.95)                            |
| 04/23/18     | 262.76                        | 658.56   | 0.00                           | 0.00   | 699.83                                    | 1,621.15       | 0.00                       | 1,055.18         | 1,055.18        | (565.97)                       | 0.00  | (565.97)                           |
| 05/11/18     | 0.00                          | 1,512.66   | 0.00                           | 0.00   | 0.00                                      | 1,512.66       | 0.00                       | 1,597.66         | 1,597.66        | 85.00                          | 0.00  | 85.00                              |
| 05/21/18     | 125.00                        | 1,173.47   | 0.00                           | 0.00   | 0.00                                      | 1,298.47       | 0.00                       | 836.59           | 836.59          | (461.88)                       | 0.00  | (461.88)                           |
| 06/04/18     | 0.00                          | 1,294.36   | 290.00 (5)                     | 0.00   | 0.00                                      | 1,584.36       | 0.00                       | 262.50           | 262.50          | (1,321.86)                     | 12.67 (6)   | (1,309.19)                         |
| 06/08/18     | 0.00                          | 1,403.67   | 200.00                         | 0.00   | 517.37                                    | 2,121.04       | 0.00                       | 2,683.72         | 2,683.72        | 562.68                         | 0.00  | 562.68                             |
| 06/14/18     | 0.00                          | 691.16   | 0.00                           | 0.00   | 0.00                                      | 691.16         | 0.00                       | 593.31           | 593.31          | (97.85)                        | 0.00  | (97.85)                            |
| 06/25/18     | 288.88                        | 1,787.40   | 0.00                           | 0.00   | 506.95                                    | 2,583.23       | 0.00                       | 1,772.51         | 1,772.51        | (810.72)                       | 0.00  | (810.72)                           |
| 06/28/18     | 0.00                          | 185.21   | 0.00                           | 0.00   | 0.00                                      | 185.21         | 0.00                       | 359.57           | 359.57          | 174.36                         | 0.00  | 174.36                             |
| 07/05/18     | 0.00                          | 1,298.50   | 0.00                           | 0.00   | 0.00                                      | 1,298.50       | 0.00                       | 1,253.48         | 1,253.48        | (45.02)                        | 0.00  | (45.02)                            |
| 07/16/18     | 0.00                          | 808.99   | 0.00                           | 0.00   | 0.00                                      | 808.99         | 0.00                       | 567.90           | 567.90          | (241.09)                       | 0.00  | (241.09)                           |
| 07/18/18     | 0.00                          | 758.50   | 0.00                           | 0.00   | 0.00                                      | 758.50         | 0.00                       | 548.42           | 548.42          | (210.08)                       | 0.00  | (210.08)                           |
| 07/24/18     | 54.00                         | 531.01   | 0.00                           | 0.00   | 367.06                                    | 952.07         | 0.00                       | 723.10           | 723.10          | (228.97)                       | 0.00  | (228.97)                           |
| 08/06/18     | 66.00                         | 1,820.06   | 140.71                         | 0.00   | 0.00                                      | 2,026.77       | 66.00                      | 1,723.20         | 1,789.20        | (237.57)                       | 0.00  | (237.57)                           |
| 08/13/18     | 38.21                         | 1,372.86 (3)                                     | 0.00                           | 0.00   | 0.00                                      | 1,411.07       | 38.31                      | 1,374.70         | 1,413.01        | 1.94                           | 0.00  | 1.94                               |
| 08/20/18     | 116.93                        | 465.77 (3)                                       | 0.00                           | 0.00   | 579.16                                    | 1,161.86       | 246.83                     | 1,047.10         | 1,293.93        | 132.07                         | 0.00  | 132.07                             |
| 08/24/18     | 0.00                          | 220.19 (3)                                       | 0.00                           | 0.00   | 0.00                                      | 220.19         | 0.00                       | 220.19           | 220.19          | 0.00                           | 0.00  | 0.00                               |
| 09/06/18     | 140.35                        | 162.12   | 0.00                           | 0.00   | 0.00                                      | 302.47         | 140.00                     | 162.12           | 302.12          | (0.35)                         | 0.00  | (0.35)                             |
| 09/13/18     | 80.00                         | 1,485.58 (3)                                     | 0.00                           | 0.00   | 0.00                                      | 1,565.58       | 80.00                      | 1,485.58         | 1,565.58        | 0.00                           | 0.00  | 0.00                               |
| 09/18/18     | 107.55                        | 988.17   | 0.00                           | 0.00   | 0.00                                      | 1,095.72       | 107.55                     | 987.23           | 1,094.78        | (0.94)                         | 0.00  | (0.94)                             |
| 10/01/18     | 130.00                        | 932.39   | 0.00                           | 0.00   | 541.12                                    | 1,603.51       | 130.00                     | 1,312.11         | 1,442.11        | (161.40)                       | 0.00  | (161.40)                           |
| 10/15/18     | 60.00                         | 2,276.35   | 0.00                           | 0.00   | 0.00                                      | 2,336.35       | 210.00                     | 2,041.18         | 2,251.18        | (85.17)                        | 0.00  | (85.17)                            |
| 10/19/18     | 53.44                         | 207.41   | 0.00                           | 0.00   | 0.00                                      | 260.85         | 51.00                      | 207.41           | 258.41          | (2.44)                         | 0.00  | (2.44)                             |
| 10/25/18     | 217.19                        | 570.82   | 0.00                           | 0.00   | 505.09                                    | 1,293.10       | 219.44                     | 1,079.17         | 1,298.61        | 5.51                           | 0.00  | 5.51                               |
| 11/08/18     | 45.00                         | 1,668.90 (3)                                     | 0.00                           | 0.00   | 0.00                                      | 1,713.90       | 45.00                      | 1,488.45         | 1,533.45        | (180.45)                       | 0.00  | (180.45)                           |

Appendix C  
City of Cross Timbers  
Undeposited City Receipts  
October 1, 2017, through July 31, 2020

| Deposit Date      | (1)<br>Recorded Cash Receipts | (1)<br>Recorded Checks and Money Orders Receipts | (1)<br>Recorded Other Receipts | (1)<br>Receipts with Unknown Method of Payment | (2)<br>Unrecorded Checks and Money Orders | Total Receipts   | Checks and Money Deposited |                  |                  | Total Undeposited Over/(Under) | Adjustment for City Invoices Likely Paid With Cash Receipts | Net Total Undeposited Over/(Under) |
|-------------------|-------------------------------|--|--------------------------------|--|---|------------------|----------------------------|------------------|------------------|--------------------------------|---|------------------------------------|
|                   |                               |  |                                |  |   |                  | Cash Deposited             | Orders Deposited | Total Deposited  |                                |   |                                    |
| 11/09/18          | 0.00                          | 225.02   | 0.00                           | 0.00   | 20.00                                     | 245.02           | 0.00                       | 245.02           | 245.02           | 0.00                           | 0.00  | 0.00                               |
| 11/15/18          | 0.00                          | 756.86   | 0.00                           | 0.00   | 0.00                                      | 756.86           | 0.00                       | 756.86           | 756.86           | 0.00                           | 0.00  | 0.00                               |
| 11/21/18          | 0.00                          | 1,018.40   | (3)                            | 0.00   | 412.63                                    | 1,431.03         | 0.00                       | 1,431.03         | 1,431.03         | 0.00                           | 375.00  | (6) 375.00                         |
| 12/05/18          | 105.00                        | 617.54   | (3)                            | 0.00   | 0.00                                      | 722.54           | 0.00                       | 482.75           | 482.75           | (239.79)                       | 0.00  | (239.79)                           |
| 12/10/18          | 0.00                          | 1,233.14   | 0.00                           | 0.00   | 11.65                                     | 1,244.79         | 0.00                       | 1,244.79         | 1,244.79         | 0.00                           | 0.00  | 0.00                               |
| 12/17/18          | 42.00                         | 1,138.15   | 0.00                           | 0.00   | 0.00                                      | 1,180.15         | 0.00                       | 938.82           | 938.82           | (241.33)                       | 0.00  | (241.33)                           |
| 12/21/18          | 220.00                        | 367.71   | (3)                            | 0.00   | 468.77                                    | 1,056.48         | 0.00                       | 836.48           | 836.48           | (220.00)                       | 0.00  | (220.00)                           |
| 12/28/18          | 0.00                          | 530.00   | (3)                            | 0.00   | 0.00                                      | 530.00           | 0.00                       | 530.00           | 530.00           | 0.00                           | 0.00  | 0.00                               |
| <b>Total 2018</b> | <b>6,607.56</b>               | <b>45,668.15</b>                                 | <b>1,688.60</b>                | <b>58.88</b>                                   | <b>7,728.02</b>                           | <b>61,751.21</b> | <b>1,797.34</b>            | <b>50,243.02</b> | <b>52,040.36</b> | <b>(9,710.85)</b>              | <b>387.67</b>   | <b>(9,323.18)</b>                  |
| 01/09/19          | 0.00                          | 437.12   | 0.00                           | 0.00   | 296.11                                    | 733.23           | 98.00                      | 634.77           | 732.77           | (0.46)                         | 0.00  | (0.46)                             |
| 01/14/19          | 0.00                          | 864.15   | (3)                            | 0.00   | 0.00                                      | 864.15           | 0.00                       | 864.15           | 864.15           | 0.00                           | 0.00  | 0.00                               |
| 01/15/19          | 40.00                         | 445.75   | (3)                            | 0.00   | 0.00                                      | 485.75           | 0.00                       | 403.25           | 403.25           | (82.50)                        | 0.00  | (82.50)                            |
| 01/18/19          | 100.00                        | 598.20   | (3)                            | 160.00   | 598.52                                    | 1,456.72         | 0.00                       | 1,197.36         | 1,197.36         | (259.36)                       | 0.00  | (259.36)                           |
| 01/28/19          | 0.00                          | 696.24   | 0.00                           | 0.00   | 1,042.02                                  | 1,738.26         | 0.00                       | 1,784.97         | 1,784.97         | 46.71                          | 0.00  | 46.71                              |
| 02/08/19          | 271.00                        | 330.34   | 0.00                           | 0.00   | 0.00                                      | 601.34           | 0.00                       | 330.20           | 330.20           | (271.14)                       | 0.00  | (271.14)                           |
| 02/11/19          | 0.00                          | 849.79   | 0.00                           | 0.00   | 0.00                                      | 849.79           | 0.00                       | 579.76           | 579.76           | (270.03)                       | 0.00  | (270.03)                           |
| 02/14/19          | 0.00                          | 1,034.58   | 0.00                           | 0.00   | 0.00                                      | 1,034.58         | 0.00                       | 1,034.58         | 1,034.58         | 0.00                           | 0.00  | 0.00                               |
| 02/20/19          | 0.00                          | 535.43   | 0.00                           | 0.00   | 534.69                                    | 1,070.12         | 0.00                       | 1,070.12         | 1,070.12         | 0.00                           | 0.00  | 0.00                               |
| 03/11/19          | 590.00                        | 2,385.77   | 0.00                           | 0.00   | 77.42                                     | 3,053.19         | 0.00                       | 1,982.40         | 1,982.40         | (1,070.79)                     | 0.00  | (1,070.79)                         |
| 03/15/19          | 0.00                          | 614.33   | 0.00                           | 0.00   | 0.00                                      | 614.33           | 0.00                       | 561.07           | 561.07           | (53.26)                        | 0.00  | (53.26)                            |
| 03/21/19          | 0.00                          | 681.96   | 0.00                           | 0.00   | 0.00                                      | 681.96           | 0.00                       | 1,010.89         | 1,010.89         | 328.93                         | 0.00  | 328.93                             |
| 03/25/19          | 0.00                          | 444.20   | 0.00                           | 0.00   | 553.76                                    | 997.96           | 0.00                       | 880.37           | 880.37           | (117.59)                       | 0.00  | (117.59)                           |
| 04/15/19          | 40.00                         | 2,292.31   | 0.00                           | 0.00   | 35.47                                     | 2,367.78         | 50.20                      | 2,121.46         | 2,171.66         | (196.12)                       | 0.00  | (196.12)                           |
| 04/26/19          | 20.00                         | 830.07   | 258.51                         | 0.00   | 617.72                                    | 1,726.30         | 0.00                       | 1,503.27         | 1,503.27         | (223.03)                       | 0.00  | (223.03)                           |
| 05/10/19          | 50.00                         | 1,591.30   | (3)                            | 20.67  | 100.00                                    | 1,761.97         | 0.00                       | 1,000.50         | 1,000.50         | (761.47)                       | 0.00  | (761.47)                           |
| 05/15/19          | 0.00                          | 1,054.11   | 0.00                           | 0.00   | 0.00                                      | 1,054.11         | 0.00                       | 1,126.16         | 1,126.16         | 72.05                          | 0.00  | 72.05                              |
| 05/23/19          | 0.00                          | 929.98   | 0.00                           | 0.00   | 547.73                                    | 1,477.71         | 0.00                       | 1,513.03         | 1,513.03         | 35.32                          | 0.00  | 35.32                              |
| 06/13/19          | 102.00                        | 1,334.77   | 0.00                           | 0.00   | 130.00                                    | 1,566.77         | 0.00                       | 1,364.67         | 1,364.67         | (202.10)                       | 0.00  | (202.10)                           |
| 06/24/19          | 0.00                          | 1,990.24   | (3)                            | 0.00   | 336.92                                    | 2,327.16         | 0.00                       | 720.04           | 720.04           | (1,607.12)                     | 0.00  | (1,607.12)                         |
| 07/08/19          | 210.00                        | 391.42   | 0.00                           | 0.00   | 0.00                                      | 601.42           | 210.00                     | 1,921.46         | 2,131.46         | 1,530.04                       | 0.00  | 1,530.04                           |

Appendix C  
City of Cross Timbers  
Undeposited City Receipts  
October 1, 2017, through July 31, 2020

| Deposit Date      | (1) Recorded               |                                | (1) Recorded Other Receipts | (1) Receipts with Unknown Method of Payment |                                    | (2) Unrecorded Checks and Money Orders | Checks and Money |                  |                  | Total Undeposited Over/(Under) | Adjustment for City Invoices Likely Paid With Cash Receipts | Net Total Undeposited Over/(Under) |            |
|-------------------|----------------------------|--------------------------------|-----------------------------|---|------------------------------------|--|------------------|------------------|------------------|--------------------------------|---|------------------------------------|------------|
|                   | (1) Recorded Cash Receipts | Recorded Money Orders Receipts |                             | Recorded Unknown Method of Payment          | Unrecorded Checks and Money Orders |  | Cash Deposited   | Orders Deposited | Total Deposited  |                                |   |                                    |            |
| 07/15/19          | 0.00                       | 0.00                           | 0.00                        | 0.00  | 9,905.31                           | 9,905.31                               | 0.00             | 9,905.31         | 9,905.31         | 0.00                           | 0.00  | 0.00                               |            |
| 07/25/19          | 155.00                     | 3,399.91                       | 0.00                        | 0.00  | 371.17                             | 3,926.08                               | 135.00           | 3,720.67         | 3,855.67         | (70.41)                        | 0.00  | (70.41)                            |            |
| 08/21/19          | 160.00                     | 2,891.94                       | 0.00                        | 0.00  | 376.41                             | 3,428.35                               | 0.00             | 3,315.96         | 3,315.96         | (112.39)                       | 0.00  | (112.39)                           |            |
| 09/04/19          | 97.00                      | 703.33                         | 0.00                        | 0.00  | 20.00                              | 820.33                                 | 97.00            | 723.33           | 820.33           | 0.00                           | 0.00  | 0.00                               |            |
| 09/23/19          | 53.00                      | 3,627.34                       | 0.00                        | 0.00  | 0.00                               | 3,680.34                               | 53.00            | 3,485.45         | 3,538.45         | (141.89)                       | 0.00  | (141.89)                           |            |
| 10/01/19          | 180.00                     | 1,290.53                       | 0.00                        | 0.00  | 738.79                             | 2,209.32                               | 60.00            | 1,790.35         | 1,850.35         | (358.97)                       | 0.00  | (358.97)                           |            |
| 10/16/19          | 105.00                     | 2,719.81                       | 0.00                        | 0.00  | 0.00                               | 2,824.81                               | 105.00           | 2,688.81         | 2,793.81         | (31.00)                        | 0.00  | (31.00)                            |            |
| 10/28/19          | 100.00                     | 1,073.16                       | 3.22                        | 0.00  | 493.33                             | 1,669.71                               | 160.00           | 1,602.22         | 1,762.22         | 92.51                          | 0.00  | 92.51                              |            |
| 11/19/19          | 170.54                     | 3,459.37                       | 0.00                        | 0.00  | 415.62                             | 4,045.53                               | 0.00             | 3,793.52         | 3,793.52         | (252.01)                       | 0.00  | (252.01)                           |            |
| 12/04/19          | 345.00                     | 939.17                         | 0.00                        | 0.00  | 0.00                               | 1,284.17                               | 170.00           | 794.67           | 964.67           | (319.50)                       | 0.00  | (319.50)                           |            |
| 12/30/19          | 207.22                     | 5,518.35                       | 0.00                        | 0.00  | 490.18                             | 6,215.75                               | 0.00             | 5,580.33         | 5,580.33         | (635.42)                       | 0.00  | (635.42)                           |            |
| <b>Total 2019</b> | <b>2,995.76</b>            | <b>45,954.97</b>               | <b>442.40</b>               | <b>0.00</b>                                 | <b>17,681.17</b>                   | <b>67,074.30</b>                       | <b>1,138.20</b>  | <b>61,005.10</b> | <b>62,143.30</b> | <b>(4,931.00)</b>              | <b>0.00</b>   | <b>(4,931.00)</b>                  |            |
| 01/13/20          | 250.00                     | 2,592.50                       | (6)                         | 0.00  | 0.00                               | 91.37                                  | 2,933.87         | 0.00             | 2,592.76         | 2,592.76                       | (341.11)  | 0.00                               | (341.11)   |
| 01/31/20          | 235.00                     | 4,103.84                       | 0.00                        | 0.00  | 0.00                               | 573.77                                 | 4,912.61         | 0.00             | 3,914.60         | 3,914.60                       | (998.01)  | 0.00                               | (998.01)   |
| 02/18/20          | 220.01                     | 3,459.38                       | 0.00                        | 0.00  | 0.00                               | 1,375.58                               | 5,054.97         | 0.00             | 4,070.93         | 4,070.93                       | (984.04)  | 0.00                               | (984.04)   |
| 03/02/20          | 415.00                     | 2,324.36                       | 0.00                        | 0.00  | 0.00                               | 652.55                                 | 3,391.91         | 240.00           | 2,478.64         | 2,718.64                       | (673.27)  | 0.00                               | (673.27)   |
| 03/13/20          | 716.61                     | 1,461.27                       | (7)                         | 0.00  | 0.00                               | 0.00                                   | 2,177.88         | 0.00             | 1,655.82         | 1,655.82                       | (522.06)  | 0.00                               | (522.06)   |
| 03/26/20          | 168.00                     | 2,864.91                       | 0.00                        | 0.00  | 0.00                               | 566.87                                 | 3,599.78         | 0.00             | 3,350.57         | 3,350.57                       | (249.21)  | 0.00                               | (249.21)   |
| 04/06/20          | 338.11                     | 1,994.13                       | 0.00                        | 0.00  | 0.00                               | 0.00                                   | 2,332.24         | 330.00           | 1,386.04         | 1,716.04                       | (616.20)  | 0.00                               | (616.20)   |
| 04/15/20          | 80.00                      | 1,436.34                       | 0.00                        | 0.00  | 0.00                               | 0.00                                   | 1,516.34         | 80.00            | 1,578.76         | 1,658.76                       | 142.42  | 0.00                               | 142.42     |
| 04/30/20          | 620.50                     | 2,046.66                       | 0.00                        | 0.00  | 0.00                               | 530.24                                 | 3,197.40         | 360.00           | 2,373.45         | 2,733.45                       | (463.95)  | 0.00                               | (463.95)   |
| 05/05/20          | 862.85                     | 888.07                         | 0.00                        | 0.00  | 0.00                               | 0.00                                   | 1,750.92         | 860.00           | 925.70           | 1,785.70                       | 34.78   | 0.00                               | 34.78      |
| 05/18/20          | 0.00                       | 2,060.16                       | 0.00                        | 0.00  | 0.00                               | 0.00                                   | 2,060.16         | 0.00             | 1,846.43         | 1,846.43                       | (213.73)  | 0.00                               | (213.73)   |
| 05/29/20          | 272.00                     | 1,324.13                       | 0.00                        | 0.00  | 0.00                               | 530.24                                 | 2,126.37         | 200.00           | 1,946.90         | 2,146.90                       | 20.53   | 0.00                               | 20.53      |
| 06/08/20          | 1,149.00                   | 1,448.21                       | 0.00                        | 0.00  | 0.00                               | 0.00                                   | 2,597.21         | 1,086.00         | 1,650.62         | 2,736.62                       | 139.41  | 0.00                               | 139.41     |
| 06/15/20          | 160.00                     | 1,406.19                       | 0.00                        | 0.00  | 0.00                               | 0.00                                   | 1,566.19         | 160.00           | 1,326.08         | 1,486.08                       | (80.11)   | 0.00                               | (80.11)    |
| 06/22/20          | 100.00                     | 955.87                         | 0.00                        | 0.00  | 0.00                               | 0.00                                   | 1,055.87         | 151.00           | 819.87           | 970.87                         | (85.00)   | 0.00                               | (85.00)    |
| 06/29/20          | 250.00                     | 535.51                         | 0.00                        | 0.00  | 0.00                               | 226.81                                 | 1,012.32         | 100.00           | 762.32           | 862.32                         | (150.00)  | 0.00                               | (150.00)   |
| 07/06/20          | 260.00                     | 1,925.28                       | 13.42                       | 0.00  | 0.00                               | 11,920.59                              | 14,119.29        | 167.00           | 12,722.26        | 12,889.26                      | (1,230.03)  | 0.00                               | (1,230.03) |
| 07/22/20          | 104.00                     | 2,766.77                       | (3)                         | 0.00  | 0.00                               | 0.00                                   | 2,870.77         | 184.00           | 3,627.58         | 3,811.58                       | 940.81  | 0.00                               | 940.81     |

Appendix C  
City of Cross Timbers  
Undeposited City Receipts  
October 1, 2017, through July 31, 2020

| Deposit Date | (1)                    | (1)                                 | (1)                     | (1)                                     | (2)                                | Total Receipts | Cash Deposited | Checks and Money Deposited |                  | Total Undeposited Over/(Under) | Adjustment for City Invoices Likely Paid With Cash Receipts | Net Total Undeposited Over/(Under) |
|--------------|------------------------|-------------------------------------|-------------------------|---|------------------------------------|----------------|----------------|----------------------------|------------------|--------------------------------|---|------------------------------------|
|              | Recorded Cash Receipts | Recorded Checks and Orders Receipts | Recorded Other Receipts | Receipts with Unknown Method of Payment | Unrecorded Checks and Money Orders |                |                | Cash Deposited             | Orders Deposited |                                |   |                                    |
| 07/31/20     | 211.00                 | 632.45                              | (3) 0.00                | 0.00                                    | 337.06                             | 1,180.51       | 211.00         | 969.51                     | 1,180.51         | 0.00                           | 0.00  | 0.00                               |
| Total 2020   | 6,412.08               | 36,226.03                           | 13.42                   | 0.00                                    | 16,805.08                          | 59,456.61      | 4,129.00       | 49,998.84                  | 54,127.84        | (5,328.77)                     | 0.00  | (5,328.77)                         |
| Total        | \$ 17,533.35           | 142,678.34                          | 2,618.97                | 108.88                                  | 59,364.39                          | 222,303.93     | 7,455.54       | 192,986.90                 | 200,442.44       | (21,861.49)                    | 387.67  | (21,473.82)                        |

- (1) Represents receipts recorded in the utility system, on manual receipt slips, and included in the deposit summary.
- (2) Represents deposited checks unrelated to recorded receipts.
- (3) The method of payment of some receipts were inaccurately recorded as other payments in the utility system. However, the contents of the deposit showed these receipts were checks or money orders. Therefore, we adjusted the method of payment of these receipts.
- (4) The City Clerk recorded a receipt as other to the maintenance worker's account for \$46.83. However, the maintenance worker's employment agreement provided for free utility services and as a result, no actual payment was made. Therefore, we adjusted this amount out of recorded other receipts.
- (5) The City Clerk recorded a receipt as other to the maintenance worker's account for \$94.82. However, the maintenance worker's employment agreement provided for free utility services, and as a result, no actual payment was made. Therefore, we adjusted this amount out of recorded other receipts.
- (6) Two city invoices totaling \$387.67 were likely paid with cash receipts of the city. One invoice was dated May 28, 2018, for \$12.67 for sewer supplies and another invoice was dated November 16, 2018, for \$375 for pump repairs.
- (7) The method of payment of a \$250 receipt was inaccurately recorded as a check payment by a utility customer in the utility system. However, the manual receipt slip issued indicated the method of payment was cash. Payments recorded from this customer were historically cash. Therefore, we adjusted the method of payment of this receipt.
- (8) The method of payment of a \$59.10 receipt was inaccurately recorded as a cash payment by a utility customer in the utility system. However, the contents of the deposit showed the payment made by the utility customer was a check. This utility customer also made payments in January, February, April, May, June, and July in 2020 by check. Therefore, we adjusted the method of payment of this receipt.

Appendix D  
City of Cross Timbers  
Overpayments and Questionable Payments to City Clerk  
October 1, 2017, through July 6, 2020

| Check Date | Check Number | Amount           | Purpose as Shown in Check<br>Memo Line, if Provided | Bank Account    | Check Signers (1)                 |
|------------|--------------|------------------|---|-----------------|-----------------------------------|
| 11/03/2017 | 1366         | \$ 885.00        | Sept Wages + 1/2 ~770 ~                             | (2) Sewer 92-05 | Wayne Trepainier & Robert Ritchie |
| 11/20/2017 | 1375         | 885.00           | Nov Wages   | Sewer 92-05     | Wayne Trepainier & Robert Ritchie |
| 12/06/2017 | 1382         | 1,192.00         | Wages thru End ~                                    | (2) Sewer 92-05 | Bill Mitchell & Robert Ritchie    |
| 01/03/2018 | 1383         | 1,105.00         | Dec Wages   | (3) Sewer 92-05 | Bill Mitchell & Wayne Trepainier  |
| Total 2017 |              | <u>4,067.00</u>  |   |                 |                                   |
| 01/18/2018 | 1389         | 1,105.00         | Wages   | Sewer 92-05     | Wayne Trepainier & Robert Ritchie |
| 02/04/2018 | 1328         | (4) 1,670.00     | Wages   | Sewer 92-05     | Wayne Trepainier & Robert Ritchie |
| 02/14/2018 | 1338         | (4) 500.00       | Wages   | Sewer 92-05     | Wayne Trepainier & Robert Ritchie |
| 03/07/2018 | 1345         | (4) 1,065.00     | Clerks Wages feb                                    | Sewer 92-05     | Bill Mitchell & Wayne Trepainier  |
| 03/07/2018 | 2819         | 350.00           | Water Manager Wages                                 | Water Fund      | Wayne Trepainier & Robert Ritchie |
| 03/13/2018 | 1347         | (4) 1,642.87     | Wages   | Sewer 92-05     | Wayne Trepainier & Robert Ritchie |
| 04/04/2018 | 1358         | (4) 1,475.00     | March Clerk/Water                                   | Sewer 92-05     | Wayne Trepainier & Robert Ritchie |
| 04/11/2018 | 1360         | (4) 350.00       | Water Operator March                                | Sewer 92-05     | Wayne Trepainier & Robert Ritchie |
| 04/18/2018 | 1392         | 1,287.00         | April Clerk   | Sewer 92-05     | Wayne Trepainier & Robert Ritchie |
| 05/11/2018 | 2821         | 350.00           | Water - April                                       | Water Fund      | Wayne Trepainier & Robert Ritchie |
| 05/15/2018 | 2824         | 1,494.72         | Wages May   | Water Fund      | Wayne Trepainier & Robert Ritchie |
| 05/16/2018 | 1393         | 1,197.00         | Sewer opp. April/May                                | Sewer 92-05     | Wayne Trepainier & Robert Ritchie |
| 06/08/2018 | 1422         | 950.00           | Clerk Wages June                                    | Sewer 92-05     | Wayne Trepainier & Robert Ritchie |
| 06/11/2018 | 2827         | 550.00           | Water + Sewer Wages May                             | Water Fund      | Wayne Trepainier & Robert Ritchie |
| 06/21/2018 | 2823         | (4) 350.00       | Water Operator June                                 | Water Fund      | Wayne Trepainier & Robert Ritchie |
| 06/28/2018 | 1443         | 1,094.00         | Wages July  | Sewer 92-05     | Wayne Trepainier & Robert Ritchie |
| 07/05/2018 | 2825         | (4) 350.00       | July Water Operator Wages                           | Water Fund      | Wayne Trepainier & Robert Ritchie |
| 07/13/2018 | 1429         | (4) 550.00       | City Clerk Wages                                    | Sewer 92-05     | Wayne Trepainier & Robert Ritchie |
| 08/13/2018 | 2826         | (4) 850.00       | Wages   | Water Fund      | Wayne Trepainier & Robert Ritchie |
| 09/13/2018 | 2829         | 1,157.00         | Wages   | Water Fund      | Wayne Trepainier & Robert Ritchie |
| 10/15/2018 | 2833         | 1,158.00         | Salary  | Water Fund      | Wayne Trepainier & Robert Ritchie |
| 10/24/2018 | 1462         | 875.00           | Wages   | Sewer 92-05     | Wayne Trepainier & Robert Ritchie |
| 11/09/2018 | 2836         | 550.00           | Wages - Clerk                                       | Water Fund      | Wayne Trepainier & Robert Ritchie |
| 11/15/2018 | 2839         | 850.00           | Wages   | Water Fund      | Wayne Trepainier & Robert Ritchie |
| 11/21/2018 | 2845         | 350.00           | Water/Sewer Operator                                | Water Fund      | Wayne Trepainier & Robert Ritchie |
| 12/10/2018 | 2849         | 1,047.98         | Wages   | Water Fund      | Wayne Trepainier & Robert Ritchie |
| 12/17/2018 | 2850         | 450.00           | Wages   | Water Fund      | Wayne Trepainier & Robert Ritchie |
| 12/21/2018 | 1479         | 350.00           | Wages   | Sewer 92-05     | Wayne Trepainier & Robert Ritchie |
| Total 2018 |              | <u>23,968.57</u> |   |                 |                                   |
| 01/14/2019 | 2854         | 350.00           | Operator Wages                                      | Water Fund      | Wayne Trepainier & Robert Ritchie |
| 01/15/2019 | 2856         | 450.00           | Partial-Clerk's Wage                                | Water Fund      | Wayne Trepainier & Robert Ritchie |
| 01/18/2019 | 2857         | 850.00           | Clerk Wages   | Water Fund      | Wayne Trepainier & Robert Ritchie |
| 01/21/2019 | 1480         | 450.00           |   | Sewer 92-05     | Wayne Trepainier & Robert Ritchie |
| 01/28/2019 | 2858         | 550.00           | Clerk Wages   | Water Fund      | Wayne Trepainier & Robert Ritchie |
| 02/04/2019 | 2860         | 500.00           | Wages   | Water Fund      | Wayne Trepainier & Robert Ritchie |
| 02/08/2019 | 2863         | 350.00           | Operator Wages                                      | Water Fund      | Wayne Trepainier & Robert Ritchie |
| 02/14/2019 | 1487         | 250.00           | Wages   | Sewer 92-05     | Wayne Trepainier & Robert Ritchie |
| 02/20/2019 | 2864         | 350.00           | Operator Wages                                      | Water Fund      | Wayne Trepainier & Robert Ritchie |
| 02/22/2019 | 2862         | (4) 900.00       | feb. Clerk Wages                                    | Water Fund      | Wayne Trepainier & Robert Ritchie |
| 03/11/2019 | 2865         | 350.00           | Operator Wages                                      | Water Fund      | Wayne Trepainier & Robert Ritchie |
| 03/15/2019 | 2870         | 550.00           | Clerk Wages   | Water Fund      | Wayne Trepainier & Robert Ritchie |
| 04/15/2019 | 2867         | (4) 1,126.47     | Wages   | Water Fund      | Wayne Trepainier & Robert Ritchie |
| 04/18/2019 | 2875         | 800.00           | Wages   | Water Fund      | Wayne Trepainier & Robert Ritchie |
| 04/24/2019 | 2880         | 850.00           | Wages   | Water Fund      | Wayne Trepainier & Robert Ritchie |
| 05/23/2019 | 2902         | 350.00           | opp. Wages  | Water Fund      | Wayne Trepainier & Robert Ritchie |
| 06/11/2019 | 2832         | (4) 700.00       | Wages   | Water Fund      | Bill Mitchell & Robert Ritchie    |
| 07/15/2019 | 2898         | (4) 1,300.00     | Wages   | Water Fund      | Bill Mitchell & Robert Ritchie    |
| 08/07/2019 | 2847         | (4) 900.00       |   | Water Fund      | Bill Mitchell & Robert Ritchie    |
| 09/04/2019 | 1493         | 900.00           |   | Sewer 92-05     | Bill Mitchell & Robert Ritchie    |
| 10/07/2019 | 1507         | 1,180.00         | Sept Clerk, opp wages                               | Sewer 92-05     | Bill Mitchell & Richard Foster    |
| 11/04/2019 | 1510         | 225.00           | Oct Wages   | Sewer 92-05     | Bill Mitchell & Jon Dwire         |
| 11/04/2019 | 1628         | 100.00           | Oct Wages   | City Tax        | Bill Mitchell & Jon Dwire         |



Appendix D  
City of Cross Timbers  
Overpayments and Questionable Payments to City Clerk  
October 1, 2017, through July 6, 2020

| Check Date  | Check Number | Amount                                  | Purpose as Shown in Check<br>Memo Line, if Provided | Bank Account | Check Signers (1)          |
|---|--------------|---|---|--------------|----------------------------|
| 11/04/2019  | 2902 (5)     | 225.00                                  | Oct Wages   | Water Fund   | Bill Mitchell & Jon Dwire  |
| 12/02/2019  | 1636         | 550.00                                  | Nov Wages   | City Tax     | Jon Dwire & Richard Foster |
| 01/06/2020  | 1644         | 550.00                                  | Dec Wages   | (3) City Tax | Bill Mitchell & Jon Dwire  |
| Total 2019  |              | <u>15,656.47</u>                        |   |              |                            |
| 02/03/2020  | 1647         | 550.00                                  | January Wages                                       | City Tax     | Bill Mitchell & Jon Dwire  |
| 03/02/2020  | 1658         | 550.00                                  | feb wages   | City Tax     | Bill Mitchell & Jon Dwire  |
| 04/06/2020  | 1673         | 550.00                                  | March Salary  | City Tax     | Bill Mitchell & Jon Dwire  |
| 05/04/2020  | 1686         | 550.00                                  | April Wages   | City Tax     | Bill Mitchell & Jon Dwire  |
| 05/18/2020  | 1703         | 50.00                                   | Water Shut off / on                                 | City Tax     | Bill Mitchell & Jon Dwire  |
| 06/01/2020  | 1704         | 550.00                                  | May Wages   | City Tax     | Bill Mitchell & Jon Dwire  |
| 06/15/2020  | 1716         | 50.00                                   | Water Shut off / ons                                | City Tax     | Bill Mitchell & Jon Dwire  |
| 07/06/2020  | 1718         | 550.00                                  | June Wages  | City Tax     | Bill Mitchell & Jon Dwire  |
| 07/06/2020  | 1725         | 121.50                                  | July Wages  | City Tax     | Bill Mitchell & Jon Dwire  |
| Total 2020  |              | <u>3,521.50</u>                         |   |              |                            |
| Total Payments  | \$           | <u><u>47,213.54</u></u>                 |   |              |                            |
| Amounts That Should Have Been Paid                                      |              |   |   |              |                            |
| Year  | \$           |   |   |              |                            |
| 2017  | \$           | 3,600.00 (6)                            |   |              |                            |
| 2018  |              | 20,465.00 (7)                           |   |              |                            |
| 2019  |              | 13,610.00 (8)                           |   |              |                            |
| 2020  |              | 3,406.45 (9)                            |   |              |                            |
| Total   | \$           | <u>41,081.45</u>                        |   |              |                            |
| Year  |              | <u>Overpayments</u>                     |   |              |                            |
| 2017  | \$           | 467.00                                  |   |              |                            |
| 2018  |              | 3,503.57                                |   |              |                            |
| 2019  |              | 2,046.47                                |   |              |                            |
| 2020  |              | 115.05                                  |   |              |                            |
| Total   | \$           | <u>6,132.09</u>                         |   |              |                            |
| Year  |              | <u>Questionable Additional Payments</u> |   |              |                            |
| 2017  | \$           | 0.00                                    |   |              |                            |
| 2018  |              | 9,665.00 (10)                           |   |              |                            |
| 2019  |              | 3,860.00 (10)                           |   |              |                            |
| 2020  |              | 0.00                                    |   |              |                            |
| Total   | \$           | <u>13,525.00</u>                        |   |              |                            |
| Total Overpayments and Questionable Payments \$ <u><u>19,657.09</u></u> |              |   |   |              |                            |

- (1) Robert Ritchie was the Mayor from April 2017 to September 23, 2019, and Board members indicated in recorded interviews that the Mayor lived with the City Clerk, and bank records show that the Mayor and City Clerk shared a personal bank account and home address.
- (2) Portions of the memo line of the canceled check, notated by a ~ symbol, were not legible. Thus, the wording is not known.
- (3) The payment amount of this check was reflected in the year that the purpose shown in the check memo line indicated instead of the year in which the check was dated.
- (4) Check was issued out of numerical sequence.
- (5) Check number 2902 was issued twice. Once on May 23, 2019, and once on November 4, 2019.
- (6) This total includes payments of \$900 per month for 4 months (September, October, November, and December). We could not determine the date the City Clerk was hired.
- (7) According to the City Clerk's calendars she was paid \$900 per month (\$10,800) for 48 hours per month. The calendars also indicated she worked 1,542.5 hours during the year and was paid \$10 per hour for hours worked over 48 hours each month (576 hours for the year), resulting in additional payments of \$9,665.
- (8) On October 7, 2019, the Board voted to reduce the City Clerk's pay to \$550 per month with no payment for hours worked over 48 hours. This total includes \$8,100 (\$900 for 9 months) and \$1,650 (\$550 for 3 months). The City Clerk's calendars indicate she worked 818 hours during the first 9 months of the year, which resulted in additional payments of \$3,860 for hours worked over 48 hours each month (432 hours).
- (9) This total includes a \$550 monthly payment for 6 months. It also includes \$106.45 for July 1 to July 6, 2020. The City Clerk terminated employment with the city on July 6, 2020.
- (10) Board meeting minutes did not indicate any additional payments (over 48 hours per month) or the additional pay rate was approved by the Board. As a result, the additional payments are questionable.

Appendix E  
 City of Cross Timbers  
 Other Improper Payments to City Clerk  
 October 1, 2017, through July 6, 2020

| Check Date | Check Number | Amount               | Bank Account    | Purpose as Shown in Check Memo Line, if Provided (1)    | Check Signers                     |
|------------|--------------|----------------------|-----------------|---|-----------------------------------|
| 04/27/2018 | 1400         | \$ 241.89            | Sewer 92-05     | Sewer Plant Supplies, Ink for printer, Virus protection | Wayne Trepainier & Robert Ritchie |
| 06/04/2018 | 1606         | 124.76               | City Tax        | Reimbursement For printer Ink                           | Wayne Trepainier & Robert Ritchie |
| 11/26/2018 | 1475         | 147.30               | (2) Sewer 92-05 | Reimbursement for gas, Ink, Envelopes & Copy paper      | Wayne Trepainier & Robert Ritchie |
|            | Total 2018   | <u>513.95</u>        |                 |   |                                   |
| 05/04/2020 | 1687         | 55.00                | City Tax        | 4/30/20 Stamps Rec# 179                                 | Bill Mitchell & Jon Dwire         |
|            | Total \$     | <u><u>568.95</u></u> |                 |   |                                   |

(1) These details are presented exactly as they are listed in the source documents.

(2) Purchases totaled \$187.65. However, supporting documentation was provided for \$40.35 of fuel purchases, leaving \$147.30 of improper payments.

Appendix F  
City of Cross Timbers  
Improperly Recorded Utility Payments and Improper Adjustments and Billings for City Clerk  
October 1, 2017, through July 31, 2020

| Month and Year | Amount of Water/Sewer Fees Billed | Amount Paid | Amount of Improperly Recorded Utility Payments | Amount of Improper Utility Adjustments | Account Balance at the End of the Month | Amount of Utility Services Improperly Not Billed |
|----------------|-----------------------------------|-------------|--|--|---|--|
| September 2017 | \$                                |             |  |  | 372.18                                  | (1) 0.00   |
| October 2017   | 65.25                             | 0.00        | 372.18   | (2) 0.00                               | 65.25                                   | 0.00   |
| November 2017  | 67.44                             | 0.00        | 65.25  | (2) 0.00                               | 67.44                                   | 0.00   |
| December 2017  | 69.37                             | 0.00        | 67.44  | (2) 0.00                               | 69.37                                   | 0.00   |
| Total 2017     | 202.06                            | 0.00        | 504.87   | 0.00                                   |   | 0.00   |
| January 2018   | 67.54                             | 0.00        | 69.37  | (2) 0.00                               | 67.54                                   | 0.00   |
| February 2018  | 69.27                             | 0.00        | 67.54  | (2) 0.00                               | 69.27                                   | 0.00   |
| March 2018     | 70.04                             | 0.00        | 139.31   | (2) 0.00                               | 0.00                                    | 0.00   |
| April 2018     | 0.00                              | (3) 0.00    | 0.00   | 0.00                                   | 0.00                                    | 0.00   |
| May 2018       | 54.64                             | 0.00        | 0.00   | 0.00                                   | 54.64                                   | 0.00   |
| June 2018      | 124.07                            | (3) 0.00    | 54.64  | (2) 0.00                               | 124.07                                  | 0.00   |
| July 2018      | 80.44                             | 0.00        | 124.07   | (2) 0.00                               | 80.44                                   | 0.00   |
| August 2018    | 80.96                             | 0.00        | 0.00   | 0.00                                   | 161.40                                  | 0.00   |
| September 2018 | 74.88                             | 0.00        | 161.40   | (2) 0.00                               | 74.88                                   | 0.00   |
| October 2018   | 78.51                             | 0.00        | 0.00   | 0.00                                   | 153.39                                  | 0.00   |
| November 2018  | 0.00                              | 0.00        | 0.00   | 153.39                                 | (4) 0.00                                | (5) 71.49  |
| December 2018  | 0.00                              | 0.00        | 0.00   | 0.00                                   | 0.00                                    | (5) 72.03  |
| Total 2018     | 700.35                            | 0.00        | 616.33   | 153.39                                 |   | 143.52   |
| January 2019   | 80.59                             | 0.00        | 0.00   | 0.00                                   | 80.59                                   | 0.00   |
| February 2019  | 0.00                              | 0.00        | 0.00   | 0.00                                   | 80.59                                   | (5) 78.11  |
| March 2019     | 0.00                              | 0.00        | 0.00   | 80.59                                  | (4) 0.00                                | (5) 82.88  |
| April 2019     | 0.00                              | 0.00        | 0.00   | 0.00                                   | 0.00                                    | (5) 81.94  |
| May 2019       | 0.00                              | 0.00        | 0.00   | 0.00                                   | 0.00                                    | (5) 79.11  |
| June 2019      | 94.03                             | 0.00        | 0.00   | 0.00                                   | 94.03                                   | 0.00   |
| July 2019      | 88.79                             | 0.00        | 0.00   | 0.00                                   | 182.82                                  | 0.00   |
| August 2019    | 4.20                              | (6) 0.00    | 0.00   | 0.00                                   | 187.02                                  | (5) 79.73  |
| September 2019 | 75.66                             | 0.00        | 187.02   | (2) 0.00                               | 75.66                                   | 0.00   |
| October 2019   | 78.68                             | 0.00        | 0.00   | 0.00                                   | 154.34                                  | 0.00   |
| November 2019  | 80.29                             | 0.00        | 79.44  | (2) 0.00                               | 155.19                                  | 0.00   |
| December 2019  | 86.68                             | 0.00        | 155.19   | (2) 0.00                               | 86.68                                   | 0.00   |
| Total 2019     | 588.92                            | 0.00        | 421.65   | 80.59                                  |   | 401.77   |
| January 2020   | 77.42                             | 0.00        | 86.68  | (2) 0.00                               | 77.42                                   | 0.00   |
| February 2020  | 86.90                             | 0.00        | 77.42  | (2) 0.00                               | 86.90                                   | 0.00   |
| March 2020     | 86.31                             | 0.00        | 86.90  | (2) 0.00                               | 86.31                                   | 0.00   |
| April 2020     | 97.41                             | 0.00        | 86.31  | (2) 0.00                               | 97.41                                   | 0.00   |
| May 2020       | 92.80                             | 97.41       | 0.00   | 0.00                                   | 92.80                                   | 0.00   |
| June 2020      | 81.97                             | 0.00        | 92.80  | (2) 0.00                               | 81.97                                   | 0.00   |
| July 2020      | 92.27                             | 81.97       | 0.00   | 0.00                                   | 92.27                                   | 0.00   |
| Total 2020     | 615.08                            | 179.38      | 430.11   | 0.00                                   |   | 0.00   |
| Grand Total    | \$ 2,106.41                       | 179.38      | 1,972.96                                       | 233.98                                 |   | 545.29   |

- (1) January Clark started working as the City Clerk in October 2017, and her utility account had a balance of \$372.18 at September 30, 2017.
- (2) Utility records show payments were made on October 19, 2017, November 27, 2017, December 29, 2017, January 18, 2018, February 15, 2018, March 9, 2018, March 28, 2018, June 14, 2018, July 11, 2018, September 20, 2018, September 23, 2019, November 4, 2019, December 30, 2019, January 20, 2020, February 17, 2020, March 16, 2020, April 6, 2020, and June 15, 2020. However, bank deposits for these months show no evidence these payments were deposited.
- (3) Utility records indicate no water/sewer fees were billed in April 2018 to January Clark's utility account; however, the amount billed for June 2018, may include water and sewer fees not billed for April 2018.
- (4) Utility records show improper adjustments were made to January Clark's utility account on November 26, 2018, indicating "City Employee" and on March 4, 2019, indicating "EMPLOYEE."
- (5) Utility records indicate no water and sewer fees were billed these months and January Clark's utility account was "EXEMPT from Charges." We calculated the amount of water and sewer fees improperly not billed based on water usage obtained from meter readings and water and sewer rates at the time of service (See Appendix G).
- (6) Includes a penalty fee only, utility service was not billed this month.

Appendix G  
City of Cross Timbers  
Utility Billing Calculations for City Clerk  
October 1, 2017, through July 31, 2020

Water Billing Calculation

| Month and Year<br>Water Services<br>Were Not Billed | Gallons of<br>Water Used<br>Each Month Per<br>Meter Readings | Gallons of<br>Water Used<br>Over Initial<br>1,500<br>Gallons | Base Rate<br>Charged for<br>Initial 1,500<br>Gallons of<br>Water Used | Amount<br>Charged for<br>Gallons of<br>Water Used<br>Over Initial<br>1,500 Gallons<br>(1) | Sales Tax | Department of<br>Natural<br>Resources<br>Pollution<br>Control Fee | Department of<br>Natural<br>Resources<br>Primacy Fee | Total Water<br>Billing Amount |
|---|--|--|---|---|-----------|---|--|-------------------------------|
| November 2018                                       | 3,970  | 2,470  | \$ 16.00  | \$ 12.35  | \$ 2.05   | \$ 0.07   | \$ 0.27  | \$ 30.74                      |
| December 2018                                       | 4,350  | 2,850  | 16.00   | 14.25   | 2.19      | 0.07  | 0.27   | 32.78                         |
| February 2019                                       | 4,730  | 3,230  | 18.00   | 16.15   | 2.47      | 0.07  | 0.27   | 36.96                         |
| March 2019  | 4,810  | 3,310  | 18.00   | 16.55   | 2.50      | 0.07  | 0.27   | 37.39                         |
| April 2019  | 5,100  | 3,600  | 18.00   | 18.00   | 2.60      | 0.07  | 0.27   | 38.94                         |
| May 2019  | 4,620  | 3,120  | 20.00   | 15.60   | 2.57      | 0.07  | 0.27   | 38.51                         |
| August 2019   | 4,680  | 3,180  | 20.00   | 15.90   | 2.59      | 0.07  | 0.27   | 38.83                         |

Sewer Billing Calculation (2)

| Month and Year<br>Sewer Services<br>Were Not Billed | Base Rate<br>Charged for<br>Initial 1,500<br>Gallons of<br>Water Used | Amount<br>Charged for<br>Gallons of<br>Water Used<br>Over Initial<br>1,500 Gallons<br>(1) | Total Sewer<br>Billing Amount |
|---|---|---|-------------------------------|
| November 2018                                       | \$ 25.00  | \$ 12.35  | \$ 37.35                      |
| December 2018                                       | 25.00   | 14.25   | 39.25                         |
| February 2019                                       | 25.00   | 16.15   | 41.15                         |
| March 2019  | 25.00   | 16.55   | 41.55                         |
| April 2019  | 25.00   | 18.00   | 43.00                         |
| May 2019  | 25.00   | 15.60   | 40.60                         |
| August 2019   | 25.00   | 15.90   | 40.90                         |

Total Water and Sewer Billing Amount

| Total Water and<br>Sewer Billing<br>Amount | Unrecorded<br>Penalty Amount<br>(3) | Total Water and<br>Sewer Billing<br>Amount with<br>Penalties |
|--|-------------------------------------|--|
| \$ 68.09                                   | \$ 3.40                             | \$ 71.49   |
| 72.03                                      | 0.00                                | 72.03  |
| 78.11                                      | 0.00                                | 78.11  |
| 78.94                                      | 3.95                                | 82.88  |
| 81.94                                      | 0.00                                | 81.94  |
| 79.11                                      | 0.00                                | 79.11  |
| 79.73                                      | 0.00                                | 79.73  |

(1) The rate after the initial 1,500 gallons is \$5 for every 1,000 gallons.

(2) Sewer services are billed based upon water usage.

(3) The City Clerk indicated in the utility system that her account was exempt from penalties in November 2018 and March 2019 and therefore was not billed for penalties. We calculated a penalty amount of 5 percent based upon November 2018 and March 2019 current charges.

Appendix H  
City of Cross Timbers  
Improperly Recorded Utility Payments and Improper Adjustments and Billings for Former Alderman  
January 2015 through July 2020

| Month and Year | Amount of<br>Water/Sewer<br>Fees Billed | Amount Paid | Amount of<br>Improperly<br>Recorded<br>Utility<br>Payments | Amount of<br>Improper Utility<br>Adjustments | Account<br>Balance at the<br>End of the<br>Month | Estimated<br>Amount of Utility<br>Services<br>Improperly Not<br>Billed |
|----------------|---|-------------|--|--|--|--|
| December 2014  | \$                                      |             |  |  | 57.57  |  |
| January 2015   | 0.00                                    | 0.00        | 0.00   | 57.57 (1)                                    | 0.00   | 70.81 (2)  |
| February 2015  | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| March 2015     | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| April 2015     | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| May 2015       | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| June 2015      | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| July 2015      | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| August 2015    | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| September 2015 | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| October 2015   | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| November 2015  | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| December 2015  | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| Total 2015     | 0.00                                    | 0.00        | 0.00   | 57.57  |  | 849.72   |
| January 2016   | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| February 2016  | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| March 2016     | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| April 2016     | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| May 2016       | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| June 2016      | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| July 2016      | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| August 2016    | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| September 2016 | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| October 2016   | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| November 2016  | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| December 2016  | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| Total 2016     | 0.00                                    | 0.00        | 0.00   | 0.00   |  | 849.72   |
| January 2017   | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| February 2017  | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| March 2017     | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| April 2017     | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| May 2017       | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| June 2017      | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| July 2017      | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| August 2017    | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| September 2017 | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| October 2017   | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| November 2017  | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| December 2017  | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| Total 2017     | 0.00                                    | 0.00        | 0.00   | 0.00   |  | 849.72   |
| January 2018   | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| February 2018  | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| March 2018     | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| April 2018     | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| May 2018       | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| June 2018      | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| July 2018      | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| August 2018    | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| September 2018 | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| October 2018   | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| November 2018  | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| December 2018  | 0.00                                    | 0.00        | 0.00   | 0.00   | 0.00   | 70.81 (2)  |
| Total 2018     | 0.00                                    | 0.00        | 0.00   | 0.00   |  | 849.72   |

Appendix H  
City of Cross Timbers  
Improperly Recorded Utility Payments and Improper Adjustments and Billings for Former Alderman  
January 2015 through July 2020

| Month and Year | Amount of Water/Sewer Fees Billed | Amount Paid | Amount of Improperly Recorded Utility Payments | Amount of Improper Utility Adjustments             | Account Balance at the End of the Month | Estimated Amount of Utility Services Improperly Not Billed |
|----------------|-----------------------------------|-------------|--|--|---|--|
| January 2019   | 0.00                              | 0.00        | 0.00   | 0.00   | 0.00                                    | 70.81 (2)  |
| February 2019  | 0.00                              | 0.00        | 0.00   | 0.00   | 0.00                                    | 70.81 (2)  |
| March 2019     | 0.00                              | 0.00        | 0.00   | 0.00   | 0.00                                    | 70.81 (2)  |
| April 2019     | 0.00                              | 0.00        | 0.00   | 0.00   | 0.00                                    | 70.81 (2)  |
| May 2019       | 0.00                              | 0.00        | 0.00   | 0.00   | 0.00                                    | 70.81 (2)  |
| June 2019      | 0.00                              | 0.00        | 0.00   | 0.00   | 0.00                                    | 70.81 (2)  |
| July 2019      | 0.00                              | 0.00        | 0.00   | 0.00   | 0.00                                    | 70.81 (2)  |
| August 2019    | 0.00                              | 0.00        | 0.00   | 0.00   | 0.00                                    | 70.81 (2)  |
| September 2019 | 0.00                              | 0.00        | 0.00   | 0.00   | 0.00                                    | 70.81  |
| October 2019   | 51.43 (3)                         | 0.00        | 0.00   | 0.00   | 51.43                                   | 0.00   |
| November 2019  | 135.93                            | 0.00        | 0.00   | 0.00   | 187.36                                  | 0.00   |
| December 2019  | 264.14                            | 0.00        | 0.00   | 0.00   | 451.50                                  | 0.00   |
| Total 2019     | 451.50                            | 0.00        | 0.00   | 0.00   |   | 637.29   |
| January 2020   | 190.17                            | 0.00        | 0.00   | 0.00   | 641.67                                  | 0.00   |
| February 2020  | 188.56                            | 0.00        | 280.00 (4)                                     | 0.00   | 550.23                                  | 0.00   |
| March 2020     | 168.64                            | 0.00        | 0.00   | 0.00   | 718.87                                  | 0.00   |
| April 2020     | 179.00                            | 0.00        | 150.00 (4)                                     | 0.00   | 747.87                                  | 0.00   |
| May 2020       | 8.55 (5)                          | 0.00        | 0.00   | 0.00   | 756.42                                  | 0.00   |
| June 2020      | 0.00 (5)                          | 0.00        | 0.00   | 0.00   | 756.42                                  | 0.00   |
| July 2020      | 145.49 (6)                        | 0.00        | 0.00   | 901.91 (6)   | 0.00                                    | 0.00   |
| Total 2020     | 880.41                            | 0.00        | 430.00   | 901.91   | 0.00                                    | 0.00   |
| Grand Total    | \$ 1,331.91                       | 0.00        | 430.00   | 959.48   | 0.00                                    | 4,036.17   |
|                |                                   |             |  | Less Billing Amount Used to Adjust Account Balance | (145.49) (6)                            |  |
|                |                                   |             |  | Net Adjustments                                    | \$ 813.99                               |  |

(1) Utility records show an improper adjustment was made and the reason was documented as "i [sic] should have shown it off Dec. 15."

(2) Utility records show no water and sewer fees were billed in 2015, 2016, 2017, 2018, and from January to September 2019. No meter readings were documented for the former Alderman's utility account during this time period and the meter reading report typically indicated his account was "vacant." The City Clerk was responsible for billings during this time period. We estimated the amount of utility services improperly not billed based on the average utility charge during 2014 as follows:

|                | Amount of Water/Sewer Fees Billed |
|----------------|-----------------------------------|
| January 2014   | \$ 58.09                          |
| February 2014  | 73.20                             |
| March 2014     | 72.88                             |
| April 2014     | 69.81                             |
| May 2014       | 70.90                             |
| June 2014      | 85.70                             |
| July 2014      | 78.55                             |
| August 2014    | 80.39                             |
| September 2014 | 87.34                             |
| October 2014   | 57.62                             |
| November 2014  | 57.62                             |
| December 2014  | 57.62                             |

Average of Amounts Billed During 2014 \$ 70.81

This calculation does not take into account any utility rate increases so the actual amount of utility services not billed is likely more than what was calculated. In a recorded interview, the former Alderman indicated he helped the former Maintenance Supervisor in exchange for free water and sewer services. However, this arrangement was not approved and documented in meeting minutes or approved by city ordinance. The former Alderman also indicated he stopped helping the city with water and sewer services when the city contracted with a new Maintenance Supervisor in March 2018.

(3) In November 2019, the Board voted to end the practice of providing free water and sewer service to anyone that was receiving it.

(4) Utility records show payments were made on February 3, 2020, February 28, 2020, and April 6, 2020; however, bank deposits for these months show no evidence these payments were deposited.

(5) According to the Hickory County Recorder of Deeds' office, this property was sold June 1, 2020. The amount billed in May was a penalty fee. There were no meter readings for May or June 2020, and the May meter reading indicated "off."

(6) Utility records show an adjustment of \$901.91 was made to the former Alderman's account by the current City Clerk on July 28, 2020, indicating "Moved." However, the balance of the former Alderman's account as of July 1, 2020, was only \$756.42. The current City Clerk indicated she corrected the adjustment by recording an improper billing of \$145.49 on July 31, 2020. As a result, we reported net adjustments of \$813.99. The current City Clerk indicated she made this adjustment, to reduce the account balance to zero because the city could not place a lien on the property prior to the sale, and without a forwarding address or city attorney it would not be easy to pursue collection. However, an explanation for this adjustment was not documented and not approved by the Board, and former Alderman Baker still owes this balance to the city.