



Susan Montee, JD, CPA  
Missouri State Auditor

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# Village of Sibley



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July 2009

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Office of the  
Missouri State Auditor  
Susan Montee, JD, CPA

July 2009

YELLOW SHEET

The following findings were included in our audit report on the Village of Sibley.

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A written contract was not obtained regarding a fusion machine, costing \$6,141, purchased for use by a contractor. In addition, the use of the machine is not monitored, and the machine is located on the contractor's property. Employees have been paid in advance of the scheduled payroll date, and the former Treasurer was paid an extra month's salary of \$250. Invoices, timesheets, and other supporting documentation to support some disbursements could not be located for the period prior to employment of the current Village/Water Clerk and Treasurer (May 2008). Invoices are not filed in an orderly manner, and individual charge receipts were not reconciled to billing statements for gasoline purchased on a fuel credit card. Formal bidding or purchasing policies have not been established. Disbursements are not approved by the Board before payment is made.

Payroll liabilities were not paid timely to the IRS resulting in additional costs. Check writing procedures need to be improved because village checks require only one signature, and some checks are written for cash. Capital asset records are not maintained and an annual physical inventory is not performed.

Annual budgets are not prepared despite the specific guidelines for preparation of budgets outlined by Missouri law. The village has accumulated more cash than is needed for its operations in the Road Fund and Town Fund. Based on current disbursements and the cash available for the Road Fund, the village has sufficient cash available for almost 2 years without collecting any additional receipts, and an annual maintenance plan for village streets has not been prepared. At December 31, 2008, the village had accumulated a balance of \$254,954 in the Town Fund, while total disbursements for 2008 were only \$35,706. Semi-annual financial statements are not published or posted. The village did not require the bank to pledge adequate collateral for its accounts. In addition, the village does not have a written agreement with its current depository bank. At December 31, 2008, the village had approximately \$132,000 in four non-interest bearing checking accounts.

Receipt slips are not issued for monies received; therefore, there is no assurance all monies collected are accounted for properly and deposited. Monies received are not deposited in a timely manner, and village officials are not bonded.

Adequate documentation is not maintained to support the allocation of wages and other disbursements between the Town Fund and Water Fund. In addition, a formal review of the adequacy of the water rates has not been performed. A monthly reconciliation of total amounts billed, payments received, and amounts unpaid for water services is not performed. Controls over water deposits need improvement, and a formal reconciliation of the total gallons of water billed to customers to the gallons of water purchased by the

village is not documented. There is no independent approval or supporting documentation of adjustments posted to the water accounting records by the Village/Water Clerk. Written policies regarding non sufficient funds checks and the disconnection of service have not been established.

Ordinances have not been adopted to set the compensation of village officials, and a board member was compensated for work performed on water meters. The village ordinances are not complete and up-to-date. The village does not have a formal policy regarding public access to village records. Board minutes are prepared and signed by the Village/Water Clerk; however, they are not signed by the Board Chairman. Reasons for closing meetings and the corresponding vote to close the meeting are not always documented in the open meeting minutes. Additionally, minutes maintained for the closed meetings indicated other business was discussed during the closed meetings that was different than the reason the meeting was closed and the other business should have been discussed in an open meeting. Board minutes did not always contain sufficient detail of matters discussed and actions taken.

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STATE AUDITOR'S REPORT



**SUSAN MONTEE, JD, CPA**  
**Missouri State Auditor**

Honorable Jeremiah W. (Jay) Nixon, Governor  
and  
The Board of Trustees  
Village of Sibley, Missouri

The State Auditor was requested by former Governor Matt Blunt, under Section 26.060, RSMo, to audit the Village of Sibley. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2008. The objectives of our audit were to:

1. Obtain an understanding of taxpayer concerns and perform various procedures to determine their validity and significance.
2. Determine if the village has adequate internal controls over significant management and financial functions.
3. Determine if the village has complied with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the village, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with

behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

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

The accompanying Management Advisory Report presents our findings arising from our audit of the Village of Sibley.



Susan Montee, JD, CPA  
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits: Alice M. Fast, CPA, CIA, CGFM  
Audit Manager: Randall Gordon, M.Acct., CPA, CGAP  
In-Charge Auditor: Richard Stuck

MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

VILLAGE OF SIBLEY  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

**1. Disbursements and Capital Assets**

A written contract was not obtained and other concerns were noted regarding a fusion machine purchased for use by a contractor. Employees have been paid in advance of the scheduled payroll date, and the former Treasurer was paid an extra month's salary of \$250. Various records could not be located. Formal bidding or purchasing policies have not been established, and disbursements are not approved before payment is made. Also, payroll liabilities to the Internal Revenue Service (IRS) were not paid timely resulting in additional costs. Check writing procedures need to be improved. Capital asset records are not maintained and an annual physical inventory of property is not performed.

A. A written contract was not obtained regarding a fusion machine, costing \$6,141, purchased for use by a contractor. In addition, the use of the machine is not monitored, and the machine is located on the contractor's property. The fusion machine was purchased with an unwritten understanding the contractor would provide the labor and use the fusion machine for necessary repairs and not bill the village for the labor costs. In addition, the unwritten understanding was for the machine to be located on the contractor's property, and when the labor costs exceeded the cost of the machine, the machine would then become the property of the contractor. The use of the machine has not been monitored and the village does not know how often it has been used or the labor costs associated with the use to know if and when the unwritten agreement will be satisfied. The contractor has not submitted invoices to the village regarding labor costs incurred when using the machine. As of December 31, 2008, the contractor had accumulated unpaid invoices, which were provided upon our request, for labor totaling \$4,075. Also, since the machine is located on the contractor's property, the village has no assurance the machine is only used for village purposes.

Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings.

B. Employees have been paid in advance of the scheduled payroll date, and the former Treasurer was paid an extra month's salary of \$250. Village Ordinance 29.020 indicates employees are to be paid the last day of the month. Generally, all employees were paid prior to the end of the month. Some examples of early payment include, the former Treasurer was paid on February 8, 2007, and March 9, 2007, for salary payments related to February and March, respectively. In addition, the former Treasurer received salary payments for two months salary

on December 31, 2007, although the former Treasurer ended employment at December 31, 2007. There was no documentation to support why the former Treasurer received the extra month's pay of \$250. Village management indicated the former Treasurer did additional work for the village in January 2008.

Paying employees in advance could result in paying for services not received. In addition, employees should be paid the last day of the month in accordance with village ordinances.

- C. Invoices, timesheets, and other supporting documentation to support some disbursements could not be located for the period prior to employment of the current Village/Water Clerk and Treasurer. Documents for payroll and water billings prior to May 2008 could not be located. In addition, invoices to support disbursements are not filed in an orderly manner, making it difficult to locate invoices and to ensure invoices are maintained for each disbursement. The records that were provided were kept in various storage boxes and file cabinets, and invoices were not filed in any particular order.

Also, individual charge receipts were missing and there appeared to be no reconciliation of receipts to billing statements for gasoline purchased on a fuel credit card. Generally, the actual charge receipt is not submitted to support the charges.

To ensure the propriety of all disbursements and water billings, supporting documentation should be retained and filed in an orderly manner. All individual charge receipts should be retained, and a reconciliation of these receipts to the credit card statement should be performed.

- D. Formal bidding or purchasing policies have not been established. Although most purchases are small or routine, formal bidding and purchasing policies would help ensure goods and services are obtained at a reasonable price.

For example, a snow plow and salt spreader was purchased for \$9,877 in December 2008. Bids were not solicited nor was other documentation (such as calling other vendors for price quotes) available to show a reasonable price was paid. In addition, a mower costing \$650 was purchased in August 2007 from a brother of a board member and bids were not solicited or documented. Although the price of the mower was not significant, bids should have been obtained to ensure there was no conflict of interest when purchasing the mower. Also, property and liability insurance, banking services, attorney services, and accounting services were purchased without obtaining bids or the solicitation of those services.

Formal bidding and purchasing procedures provide the framework for economical management of resources and help ensure fair value is received for all purchases. For purchases in which soliciting bids may not be practical, price quotes or other

documentation of the fair market value of the item should be obtained and documented to ensure a reasonable price is paid.

- E. Disbursements are not approved by the Board before payment is made. While a monthly report is prepared for board meetings that provides financial information based on bank activity, a detailed list of disbursements and the supporting documentation is not provided for the board's approval.

Disbursements should be reviewed and approved by the Board of Trustees before payment is made to ensure all disbursements represent valid operating costs. To adequately document the board's review and approval, a complete list of all bills (including each check number) to be paid should be prepared and included in the board minutes. The list should also include disbursements which the board has determined are routine bills which may be paid prior to the monthly meetings. In addition, supporting documentation should be attached and reviewed to support the disbursements indicated on the list. The list should be signed after review by the Treasurer and the Chairman of the Board of Trustees to provide an independent attestation that the disbursements are a correct record of the village's financial obligations.

- F. Payroll liabilities were not paid timely to the IRS resulting in additional costs. In August 2008, a tax penalty of \$110 and interest of \$10 were incurred for late payment.

Procedures should be in place to ensure liabilities are paid timely to avoid late charges and interest. Payroll transactions should be closely monitored to ensure payroll liabilities are remitted on a timely basis.

- G. Check writing procedures need to be improved. Village checks require only one signature. The Board Chairman, Treasurer, and another member of the Board of Trustees have the authorization to sign checks. The Treasurer in 2007 wrote his own paycheck and also signed the check with little to no oversight. As indicated in MAR 1A, the former Treasurer paid himself two months salary with no documentation to support the additional amount. In addition, checks are issued for cash to replenish the petty cash fund and make transfers from one fund to another. Also, a truck was purchased with a check for \$11,500 issued for cash to obtain a cashier's check. To reduce the risk of misuse of monies, more than one signature should be required on a check and the practice of writing checks payable to cash should be prohibited.

- H. Capital asset records are not maintained and an annual physical inventory is not performed. Adequate capital asset records are necessary to ensure accountability for all items purchased, provide better internal controls over village property, and provide a basis for proper financial reporting.

To develop appropriate records and procedures for capital assets, the village needs to undertake a comprehensive review of all property owned. Assets should be counted, tagged for specific identification, and recorded by description and serial number in a detailed property ledger at historical cost or estimated historical cost if the original cost is not available. In addition, capital asset records should be maintained on a perpetual basis, accounting for capital asset acquisitions and dispositions as they occur. Periodically, physical counts of the assets should be performed and compared to the detailed records. A physical inventory would also help identify outdated, obsolete, or idle assets.

**WE RECOMMEND** the Board of Trustees:

- A. Enter into a contract which describes the details of the agreement, and ensure equipment purchased by the village is kept on village property. Also, invoices should be submitted by the contractor so that use can be properly monitored.
- B. Ensure employees are not paid in advance and are not paid extra salary without proper documentation of the work performed.
- C. Require disbursement documentation, payroll and water billing documentation, and individual charge receipts be retained. In addition, charge receipts should be reconciled to the credit card billing statement.
- D. Establish formal bidding and professional service procurement procedure policies and maintain documentation to ensure fair value is received for all major purchases.
- E. Review and approve all disbursements of village funds, and ensure the review and approval is documented.
- F. Implement procedures to ensure liabilities are paid timely.
- G. Adopt procedures to require two signatures on all checks. In addition, the practice of writing checks for cash should be discontinued.
- H. Maintain capital asset records that include all pertinent information for each asset, such as tag number, description, cost, acquisition date, location, and subsequent disposition. These records should be updated for any property additions and dispositions as they occur. In addition, annual physical inventories should be performed and compared to the detailed records, and the village should properly tag, number, or otherwise identify all applicable village property.

## **AUDITEE'S RESPONSE**

*The Board of Trustees provided the following responses:*

- A. The fusion machine was purchased for our convenience to help make repairs and the contractor is the individual that makes the repairs. The fusion machine being kept on the contractor's property was also a convenience so that repairs could be made more quickly. We intend to bring the fusion machine back to village property and pay the contractor for work already performed. We will not let the fusion machine become the property of the contractor.*
- B. We will update the ordinance to reflect when employees are currently being paid and not pay employees in advance. If for some reason an extra salary is paid, we will ensure documentation is maintained to support the payment which will indicate the extra work performed.*
- C. We are currently retaining all documentation. Charge receipts will be reconciled to the credit card billing statement.*
- D. We do shop around and check prices. We will maintain documentation of phone bids or any other bids obtained, and adopt an ordinance regarding bidding procedures.*
- E. Regular bills, such as utilities, are paid without board approval and the Chairman is contacted for other out of the ordinary payments. A report listing all expenditures along with the invoices is now presented to the Board of Trustees and this listing is approved by the Board of Trustees.*
- F. This has been implemented.*
- G. Currently, for convenience purposes, one signature works the best for us. The truck purchase was an unusual circumstance but we will discontinue writing checks for cash.*
- H. A listing has been started and will be updated to include the information requested. Physical inventories will be performed, and capital assets will be assigned a number.*

**2.**

### **Financial Condition, Budgeting, and Reporting**

Annual budgets are not prepared, and excessive cash balances have accumulated in the Road Fund and Town Fund. In addition, an annual maintenance plan for village streets has not been prepared, and semi-annual financial statements are not published or posted. Also, the village did not require the bank to pledge adequate collateral, and does not have a written agreement with its current depository bank. Approximately \$132,000 is held in non-interest bearing checking accounts.

A. Annual budgets are not prepared. Sections 67.010 through 67.080, RSMo, set specific guidelines as to the format, approval, and amendment of the annual operating budget. A complete and well planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and receipt expectations for each area of village operations. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual disbursements. It will also assist in setting tax levies and informing the public about the village operations and current finances. A complete budget should include separate receipt and disbursement estimations by fund, and include the beginning available resources and a reasonable estimate of the ending available resources. The budget should also include a budget message and comparisons of actual receipts and disbursements for the two preceding years.

B. The village has accumulated more cash than is needed for its operations in the Road Fund and Town Fund.

- 1) Based on current disbursements and the cash available for the Road Fund, the village has sufficient cash available for almost 2 years without collecting any additional receipts, and an annual maintenance plan for village streets has not been prepared. Disbursements from the Road Fund totaled \$22,759 (\$21,377 in equipment purchases) and \$1,115 in 2008 and 2007, respectively, and the Road Fund balance was \$43,815 at December 31, 2008. While accumulating funds for future use may be desirable, the board should review the overall financial condition of the Road Fund to provide sufficient operating funds yet not create an excessive cash balance. As part of the budget process, a formal maintenance plan should be prepared and include a description of the streets to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input from the village residents.

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

- 2) At December 31, 2008, the village had accumulated a balance of \$254,954 in the Town Fund, while total disbursements for 2008 were only \$35,706. Based on current disbursements and the cash available, the village has sufficient cash available for over 7 years without collecting any additional receipts. While accumulating funds for future use may be desirable, the

board should review the overall financial condition of the Town Fund and set the village tax rate to provide sufficient operating funds yet not create an excessive cash balance. In addition, plans for the use of these monies should be included in the budget message and be approved by the board.

- C. Semi-annual financial statements are not published or posted. Section 80.210, RSMo, requires the Board of Trustees to prepare and publish semi-annual financial statements in a local newspaper, or if there is no local newspaper, to post semi-annual financial statements in at least six of the most public places in the village. In addition, Section 80.220, RSMo, states the village can be fined if the Chairman of the Board neglects to publish or post such statements.
- D. The village did not require the bank to pledge adequate collateral for its accounts. In addition, the village does not have a written agreement with its current depository bank. Six certificates of deposits held at one bank totaled \$635,461 at December 31, 2008. FDIC coverage was \$250,000 leaving \$385,461 unsecured and subject to possible loss in the event of bank failure.

Section 110.020, RSMo, requires the value of securities pledged to be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave public funds unsecured and subject to possible loss in the event of bank failure.

In addition, a written depository agreement helps both the bank and the village understand and comply with the requirements of any banking arrangement. The village should ensure the depository agreement includes provisions that detail any bank fees for check printing, checking account services, and safe deposit boxes; interest charges on any borrowed funds; and interest rates for invested funds. The agreement should also include requirements to ensure adequate collateral securities are pledged by the bank to secure all village monies.

- E. At December 31, 2008, the village had approximately \$132,000 in four non-interest bearing checking accounts. To maximize the amount of interest earned, the board should require all funds be invested in some type of interest-bearing account.

**WE RECOMMEND** the Board of Trustees:

- A. Prepare annual budgets which include all information required by state law and/or necessary to provide a complete financial plan for the village.
- B.1. Review the overall financial condition of the Road Fund to provide sufficient operating funds but not create an excessive cash balance, and prepare a formal maintenance plan for village streets at the beginning of the year and periodically update the plan throughout the year. In addition, the Board of Trustees should

review the progress made to streets to make appropriate decisions on future projects.

2. Review the overall financial condition of the Town Fund and set the village tax rate to provide sufficient operating funds but not create an excessive cash balance.
- C. Publish or post semi-annual financial statements as required by state law.
- D. Ensure the depository bank pledges adequate securities at all times in accordance with state law. In addition, the Board of Trustees should enter into a written agreement with the village's depository bank.
- E. Deposit monies into interest-bearing accounts.

### **AUDITEE'S RESPONSE**

*The Board of Trustees provided the following responses:*

- A. *We will start preparing budgets.*
- B. *The Road Fund excess monies may be needed for possible bridge work and the Town Fund excess monies may be needed to purchase some land for building a new building. An annual maintenance plan is not needed since road work is just for repairs.*
- C. *This will be implemented.*
- D. *This has been implemented. Monies have been split out into different banks so having collateral securities pledged is no longer an issue. We will consider obtaining written agreements with the banks.*
- E. *This has been implemented. Money market accounts have been opened so most monies are now in money market accounts versus non-interest bearing checking accounts.*

<b>3. Receipts</b>
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Receipt slips are not issued for monies received, and monies received are not always deposited in a timely manner. In addition, no village officials are bonded.

- A. Receipt slips are not issued for monies received; therefore, there is no assurance all monies collected are accounted for properly and deposited. Monies received by the Village/Water Clerk and deposited into the village accounts totaled \$123,341 and \$124,038 in 2008 and 2007, respectively. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, official prenumbered receipt slips should be issued for all monies received, the method of payment

should be recorded on each receipt slip, and the composition of the receipt slips should be reconciled to the composition of deposits.

- B. Monies received are not always deposited in a timely manner. The village office is open 3 days each week and monies are usually collected each of those business days, but deposits are normally made only two or three times per month. In 2008, 28 deposits were made to the Water Fund account and the deposits averaged approximately \$2,040. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made intact on a timely basis.
- C. No village officials are bonded. Section 80.250, RSMo, requires bond coverage of at least \$1,000 for the village treasurer. Failure to properly bond all persons with access to assets exposes the village to risk of loss.

**WE RECOMMEND** the Board of Trustees:

- A. Ensure official prenumbered receipt slips are issued for all monies received. In addition, the method of payment should be recorded on each receipt slip, and the composition of receipts should be reconciled to the composition of deposits.
- B. Ensure all receipts are deposited intact on a timely basis.
- C. Obtain bond coverage for all officials with access to village assets.

**AUDITEE'S RESPONSE**

*The Board of Trustees provided the following responses:*

- A. *This was implemented on January 30, 2009. Prenumbered receipt slips are issued, the method of payment is indicated, and the composition is reconciled.*
- B. *Deposits are being made intact weekly.*
- C. *We will check into being bonded once the audit has been completed.*

**4.**

**Water Department**

Adequate documentation is not maintained to support the allocation of wages and other disbursements between the Town Fund and Water Fund. A formal review of the adequacy of the water rates has not been performed, various reconciliations are not performed, and controls over water deposits need to be improved. There is no independent approval or supporting documentation of adjustments posted to the water accounting records by the Village/Water Clerk. In addition, written policies regarding non sufficient fund checks and the disconnection of service have not been established.

- A. Adequate documentation is not maintained to support the allocation of wages and other disbursements between the Town Fund and Water Fund. Wages of \$16,384 and \$17,406 in 2008 and 2007, respectively, were split between the Town Fund and Water Fund with the Water Fund contributing \$5,692 or 35 percent in 2008, and \$8,703 or 50 percent in 2007. Village Ordinance Chapter 29 states the allocation shall be 45 percent from the Town Fund and 55 percent from the Water Fund. No detail of the activities performed by these employees was maintained and no documentation was maintained on how the percentages in the ordinance were determined. Additionally, the parking lot resurfacing costing \$600 was paid from the Water Fund instead of the Town Fund. Liability insurance is allocated equally between the Town Fund and Water Fund. Petty cash is replenished from both the Town Fund and Water Fund without determining which petty cash disbursements were applicable to each fund. The village has no support or reasons for these allocations.

The funds of the village are established as separate accounting entities to account for specific activities. Reflecting expenses in the proper fund is necessary to accurately determine the results of operations of specific activities; thus, enabling the village to establish the level of taxation and/or user fees necessary to meet all operating costs. Also, adequate documentation and proper allocation of expenses is useful for both management and planning purposes. Salary expense should be allocated to the various village funds based on actual time or estimated time based on historical data.

- B. A formal review of the adequacy of the water rates has not been performed. The village's financial statements reported \$471,710 in the Water Fund as of December 31, 2008, with no planned capital disbursements. Although board minutes reflect the City of Independence raised the water rates to the City of Buckner who then passed the rate increases on to the village which were passed on to the customers, there is no documentation that raising the water rates was justified. Water Fund receipts for 2008 totaled \$65,067, with \$57,118 related to water charges, while expenses totaled \$35,443. Based on current disbursements and cash available, the village has adequate cash available for over 13 years of disbursements without collecting any additional receipts.

Section 67.042, RSMo, provides that fees may be increased if supported by a statement of the costs necessary to maintain the funding of the service. Water fees are user charges which should cover the cost of providing the related services, but rates should not be set at a level which results in excessive fund balances. The village should perform and document a detailed review of its water costs, including depreciation, and establish rates to cover the total costs of operations without generating excessive profits. This review would also ensure there are adequate reserves for repair and replacement of the system. Preparation of a statement of costs would allow the village to determine the rates necessary to support current and future operations, as well as provide documentation to customers of the rationale behind the rates.

- C. A monthly reconciliation of total amounts billed, payments received, and amounts unpaid for water services is not performed. Monthly reconciliations are necessary to ensure all accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis. These reconciliations should be documented in a clear and consistent manner with any discrepancies identified and resolved in a timely manner.
  
- D. Controls over water deposits need improvement. Village residents are required by Village Ordinance 69.040 to pay a service deposit before connecting any water service lines to the water lines and meters of the village. Water deposits are deposited into the Water Fund. The water deposit fee was raised to \$60 during the February 22, 2005, board meeting and should have been set by ordinance as well; however, the water deposit is still sometimes collected at the old rate of \$40. In addition, village officials have indicated the water deposit is refunded in 2 years if all bills are paid timely. However, water deposits are not tracked and the village is unable to determine which customers have paid a water deposit or when those deposits are to be refunded. As a result of not preparing an open items list for water deposits, the village does not know the amount of monies held related to water deposits.

To ensure the village can properly account for water deposits from customers, an accurate list of water deposits held should be maintained, which includes the deposit amounts, the dates received, and the dates and amounts of deposit refunds. The deposit list should be reconciled monthly to the monies held to ensure records are in balance and water deposits are accounted for properly. In addition, any differences should be investigated and resolved.

- E. A formal reconciliation of the total gallons of water billed to customers to the gallons of water purchased by the village is not documented. Attempts at this reconciliation have been made; however, the reconciliation of the amounts billed and purchased have indicated large differences. Currently, records indicate more water has been billed than purchased. Generally, water purchased should be more than water billed due to possible water loss.

To help ensure water usage is properly billed, the village should reconcile gallons of water purchased to the gallons of water billed on a monthly basis. This reconciliation will also detect significant water loss on a timely basis. Significant differences should be investigated.

- F. There is no independent approval or supporting documentation of adjustments posted to the water accounting records by the Village/Water Clerk. Some adjustments have been made to correct inaccurate water billings. To ensure all adjustments are valid, someone independent of the receipting and recording functions should review and approve all adjustments, and proper supporting documentation should be maintained for all adjustments.

- G. Written policies regarding non sufficient funds checks and the disconnection of service have not been established. The village had bad checks and fees totaling \$556 and \$387 in 2008 and 2007, respectively. If someone pays their water bill with a non sufficient funds check and later comes in to make payment, they are not assessed late fees. Although the board stated there is a policy for disconnection of service, that policy is not written or supported by village ordinance.

Written policies or ordinances regarding the handling of non sufficient funds checks and the disconnection of service should be established to ensure equitable treatment of customers.

**WE RECOMMEND** the Board of Trustees:

- A. Ensure all disbursements are properly allocated to the various funds and the allocations are properly documented. This documentation should include conducting a formal analysis of overhead and services to determine the percentage of costs related to each fund and a formal time study to ensure payroll costs are charged to the appropriate funds.
- B. Perform and document formal reviews of water rates periodically to ensure receipts are sufficient to cover all costs of providing these services and to support rate increases. In addition, the Water Fund cash balance should be considered as part of this review and future plans for these monies should be documented to ensure the water rates are not excessive.
- C. Ensure monthly reconciliations of total amounts billed, payments received, and amounts unpaid for water services are documented, and ensure any discrepancies identified are resolved in a timely manner.
- D. Ensure adequate records of water deposits are maintained, including deposits received, disbursed, and the balance, which should be reconciled to the amounts held for deposit on a periodic basis. In addition, the ordinance should be updated and the correct deposit amount collected.
- E. Ensure the gallons of water purchased is compared to the gallons billed on a monthly basis and investigate any significant differences.
- F. Require an independent review of all adjustments to customer water accounts be performed and ensure adequate documentation is retained.
- G. Adopt written policies and/or ordinances relating to non sufficient fund checks and disconnection of services.

## **AUDITEE'S RESPONSE**

*The Board of Trustees provided the following responses:*

- A. Wages are now being split as per the ordinance. The petty cash split will be reviewed, and we will consider a formal analysis to determine if the split percentages are still reasonable.*
- B. We will perform a formal review of the water rates the next time a water rate increase is considered. Funds are being accumulated for updating pipes (lines) and for a possible water tower or holding tank. The reason for accumulating monies will be documented in the budget.*
- C. The new software purchased is helping us know what has been billed and paid. This reconciliation will be documented and any discrepancies will be resolved.*
- D. The software is now keeping track of water deposits. We will review the software to determine if it can generate a report that can be used for returning deposits after two years. The ordinance will be updated.*
- E. This will be done.*
- F. An adjustment report will be generated and presented to the Board of Trustees for review and approval.*
- G. A written policy will be adopted by the end of the month (June) regarding non sufficient fund checks and the disconnection of services.*

<b>5. Ordinances and Minutes</b>
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Ordinances have not been adopted to set the compensation of village officials, and additional compensation was paid to a board member. In addition, village ordinances are not complete and up-to-date. Various concerns were noted regarding Sunshine Law compliance.

- A. Ordinances have not been adopted to set the compensation of village officials. Officials indicated the board members are paid \$10 for attending each board meeting. Section 79.270, RSMo, provides that village officials salaries be set by ordinance.*

In addition, a board member was compensated on April 15, 2007, for \$50 and again on October 20, 2007, for \$45 for work performed on water meters. Section 105.458, RSMo, states that no member of a governing body of any political subdivision shall perform any service for the political subdivision for

compensation other than the compensation provided for the performance of his official duties.

To ensure compliance with state law, the board should establish the compensation of all village officials by ordinance. In addition, the board should refrain from providing additional compensation to board members for services beyond the performance of their official duties.

- B. The village ordinances are not complete and up-to-date. For example, the Village/Water Clerk receives \$10.50 per hour while a village ordinance states the rate is \$7 per hour. Policies regarding duties, rates of pay, and date employees are to be paid have changed and the corresponding ordinances have not been updated. In addition, village officials have custody of an ordinance book, but the ordinances are old and are not updated. An index of all ordinances passed and rescinded by the village is not maintained which makes it difficult for the village to determine which ordinances are still active and which have been rescinded.

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

- C. The village does not have a formal policy regarding public access to village records. A formal policy would establish guidelines for the village to make records available to the public. The policy should identify a person to contact, provide an address to mail such requests, and establish a cost for providing copies of public records.

Section 610.023, RSMo, lists requirements for making village records available to the public. Section 610.026, RSMo, allows the village to charge fees for copying public records, including document research and duplication.

- D. Board minutes are prepared and signed by the Village/Water Clerk; however, they are not signed by the Board Chairman. Board minutes should also be signed by the Board Chairman to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.
- E. Reasons for closing meetings and the corresponding vote to close the meeting are not always documented in the open meeting minutes. Open meeting minutes sometimes indicate the meeting is being closed, but the specific reason and a vote to close the meeting are not documented. Additionally, minutes maintained for the closed meetings indicated other business was discussed (for example, purchasing an external hard drive) during the closed meetings that was different

than the reason the meeting was closed. The other business should have been discussed in an open meeting.

Section 610.022, RSMo, requires that before any meeting may be closed, the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session. In addition, this law provides that the board shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. Section 610.021, RSMo, lists the topics which may be discussed in closed session.

- F. Board minutes did not always contain sufficient detail of matters discussed and actions taken. For example, petty cash increased from \$250 to \$500 without an explanation in the minutes and then decreased back to \$250 with no mention of this in the minutes. In addition, a Village/Water Clerk was employed from September 2007 to October 2008 and received wages of \$5,174 during that time, but there was not anything in the minutes documenting the appointment or the hiring process. Also, the minutes for January 2008 indicated the board had accepted the clerk's resignation, but she continued to be employed for another 9 months. Because of the lack of detail, it is difficult to determine if all votes and actions taken by the Board of Trustees are adequately documented and recorded.

Section 610.020.7, RSMo, requires minutes of open and closed meetings to be taken and retained by all governmental bodies and to include the date, time, and place; members present and absent; and a record of votes taken. Complete and accurate meeting minutes are necessary to retain a record of business conducted and to provide an official record of board actions and decisions.

**WE RECOMMEND** the Board of Trustees:

- A. Establish all officials' compensation by ordinance and refrain from providing compensation to board members for services performed beyond their official duties.
- B. Update and codify the village's ordinances and ensure a complete set of ordinances is maintained. In addition, the Board of Trustees should consider establishing an index of all village ordinances passed and rescinded.
- C. Develop written policies regarding procedures to obtain access to, or copies of, public village records.
- D. Ensure board minutes are also signed by the Board Chairman to attest to their completeness and accuracy.
- E. Ensure the vote to close a session is documented in open minutes, along with the reason for closing the session. In addition, the Board of Trustees should ensure only allowable specified subjects are discussed in closed session.

- F. Ensure detailed minutes of all meetings are prepared and retained.

**AUDITEE'S RESPONSE**

*The Board of Trustees provided the following responses:*

- A. *Generally, a board member does not get paid but this needed to be done so a board member did the work. This was done very little. An ordinance will be established regarding the officials' compensation.*
- B. *Ordinances will be updated, codified, and an index of ordinances will be completed.*
- C. *A written policy has been written for this and will be adopted soon.*
- D-F. *These recommendations will be implemented.*

HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

VILLAGE OF SIBLEY  
HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

The Village of Sibley is located in Jackson County. The village was incorporated in 1957. The population of the village in 2000 was 347.

The city government consists of a five member board of trustees. The members are elected for 2-year terms. The Chairman and Chairman Pro Tem are appointed by the board from the members. Members of the Board of Trustees received \$10 compensation for each board meeting attended. The members of the Board of Trustees during the 2 years ended December 31, 2008, are identified below.

Board of Trustees	Dates of Service During the Years Ended December 31, 2008 and 2007	Compensation Paid for the Year Ended December 31,	
		2008	2007
Troy Jeffries, Chairman	January 2007 – December 2008	\$ 150	120
Farron Brooker, Chairman Pro Tem	January 2007 – December 2008	150	120
Daniel Jeffries, Board Member	January 2007 – December 2008	150	110
David Jeffries, Board Member	January 2007 – December 2008	110	90
Mary Ruth Dobbins, Board Member	January 2007 – December 2008	150	120

Other Officials	Dates of Service During the Years Ended December 31, 2008 and 2007	Compensation Paid for the Year Ended December 31,	
		2008	2007
Heather Bunting, Village/Water Clerk	June 2008 – December 2008	\$ 4,329	N/A
Cathy Bulman, Village/Water Clerk	February 2008 – May 2008	2,552	N/A
Jana Kaiser, Village/Water Clerk	September 2007 – October 2008	2,932	2,882
Annita Davis, Village/Water Clerk	September 2007 – February 2008	1,047	4,011
Shelly Meier, Village/Water Clerk	January 2007 – December 2007	N/A	6,906
Stacey Brooker, Treasurer	May 2008 – December 2008	2,204	N/A
Celeste Newberg, Treasurer	January 2008 – May 2008	1,025	N/A
Michael Meier, Treasurer	January 2007 – December 2007	N/A	3,250
Daniel Brown, Village Attorney	January 2007 – December 2008	2,820	N/A

In addition to the officials identified above, the city employed three part-time employees on December 31, 2008.

Assessed valuations and tax rates for 2008 and 2007 were as follows:

ASSESSED VALUATIONS	2008	2007
Real estate	\$ 2,380,392	2,386,852
Personal property	829,954	852,366
Total	\$ 3,210,346	3,239,218

TAX RATE PER \$100 ASSESSED VALUATION

	2008 Rate	2007 Rate
General Fund	\$ .3883	.3845

A summary of the village's financial activity for the years ended December 31, 2008 and 2007, is presented below:

	Year Ended December 31, 2008					Year Ended December 31, 2007				
	Town	Water	Road	Payroll	Total	Town	Water	Road	Payroll	Total
	Fund	Fund	Fund	Fund		Fund	Fund	Fund	Fund	
<b>RECEIPTS</b>										
Property taxes	\$ 14,132	0	0	0	14,132	13,227	0	0	0	13,227
Motor fuel and vehicle fees	0	0	13,401	0	13,401	0	0	14,650	0	14,650
Franchise taxes	19,374	0	0	0	19,374	17,253	0	0	0	17,253
Donation	0	0	6,000	0	6,000	0	0	6,000	0	6,000
Water charges	0	57,118	0	0	57,118	0	53,384	0	0	53,384
Interest	4,260	7,949	0	0	12,209	6,409	12,017	0	0	18,426
Other	1,107	0	0	0	1,107	338	760	0	0	1,098
Transfers in	0	0	0	16,384	16,384	0	0	0	17,406	17,406
<b>Total Receipts</b>	<b>38,873</b>	<b>65,067</b>	<b>19,401</b>	<b>16,384</b>	<b>139,725</b>	<b>37,227</b>	<b>66,161</b>	<b>20,650</b>	<b>17,406</b>	<b>141,444</b>
<b>DISBURSEMENTS</b>										
Payroll and payroll taxes	0	0	0	13,758	13,758	0	0	0	17,007	17,007
Utilities	6,950	16,614	0	0	23,564	6,304	16,873	0	0	23,177
Supplies	716	1,981	0	0	2,697	507	7,455	0	0	7,962
Professional services	4,070	0	0	0	4,070	0	0	0	0	0
Fuel, maintenance, and parts	1,356	0	1,382	0	2,738	162	0	313	0	475
Propane and propane services	2,839	0	0	0	2,839	1,908	0	0	0	1,908
Newspaper advertising	500	0	0	0	500	92	0	0	0	92
Workmans compensation	863	0	0	0	863	956	0	0	0	956
Animal control	264	0	0	0	264	390	0	0	0	390
Building supplies	1,490	0	0	0	1,490	0	0	0	0	0
Election expense	1,050	0	0	0	1,050	800	0	0	0	800
Insurance	2,106	2,106	0	0	4,212	2,599	2,599	0	0	5,198
Mosquito spray	1,447	0	0	0	1,447	105	0	670	0	775
Post office	98	0	0	0	98	119	0	0	0	119
Computer software	0	4,107	0	0	4,107	35	0	0	0	35
Contracted services	0	3,070	0	3,429	6,499	0	3,195	0	0	3,195
Meter refunds	0	122	0	0	122	0	54	0	0	54
Parking lot resurfacing	0	600	0	0	600	0	0	0	0	0
Bad checks and fees	0	556	0	0	556	0	387	0	0	387
DNR primacy fee	0	537	0	0	537	0	530	0	0	530
Missouri one call	0	58	0	0	58	0	74	0	0	74
Equipment purchases	0	0	21,377	0	21,377	839	0	132	0	971
Repairs	0	0	0	0	0	435	4,668	0	0	5,103
Miscellaneous	1,265	0	0	20	1,285	200	2,161	0	0	2,361
Transfers out	10,692	5,692	0	0	16,384	8,703	8,703	0	0	17,406
<b>Total Disbursements</b>	<b>35,706</b>	<b>35,443</b>	<b>22,759</b>	<b>17,207</b>	<b>111,115</b>	<b>24,154</b>	<b>46,699</b>	<b>1,115</b>	<b>17,007</b>	<b>88,975</b>
Receipts over (under) disbursements	3,167	29,624	(3,358)	(823)	28,610	13,073	19,462	19,535	399	52,469
Cash Balance, January 1,	251,787	442,086	43,815	1,499	739,187	238,714	422,624	24,280	1,100	686,718
Cash Balance, December 31, \$	254,954	471,710	40,457	676	767,797	251,787	442,086	43,815	1,499	739,187