

**FROM THE OFFICE OF THE MAYOR
OF THE CITY OF KNOB NOSTER, MO**

July 31, 2020

RE: Community Concerns about City Finances

Fellow Citizens,

Thank you to each of you who has reached out to inquire about the City of Knob Noster's finances and a petition that is currently circulating the community for the State to conduct a financial audit of the City.

Based on my understanding of the situation, one driver for the petition audit is an assertion that funds have been potentially mismanaged by the City. While the Board of Aldermen and I have not been provided insight or evidence regarding the basis of such an assertion, though it has been requested, I assure you that we are collectively concerned and take this matter seriously. In an effort to proactively mitigate concerns such as this, the City routinely engages in a financial audit each year, completed by a third-party accounting firm which specializes in auditing public entities/bodies such as municipalities.

This spring the Board unanimously selected KPM CPAs & Advisors (KPM) to conduct the annual audit for fiscal year (FY) 2019, which was performed in June and will cost a total of \$13,000 (\$10,000 of which has been expended thus far and \$3,000 of which will be expended upon presentation of the outbrief later this year). The scope of KPM's audit, as outlined in the firm's Memorandum of Understanding (MOU), encompassed the following general procedures:

- ☐ Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements
- ☐ Evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management
- ☐ Evaluating the overall presentation of the financial statements
- ☐ Obtaining reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violation of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government

I am confident that, given the scope of work outlined in KPM's MOU, the outbrief will cite any potential concerns including but not limited to mismanagement of funds, if that were to have occurred. The outbrief will also outline recommendations for the City to act upon in order to address potential areas of concern as well as mitigate the risk of future issues. Rest assured, if KPM were to identify fraudulent activity as a concern in its outbrief, the City as an organization would stop at nothing to rectify the matter, but at this point a cause for doubting the integrity of the City staff or its work in ensuring proper management of all funds has not been made manifest.

Furthermore, please understand that, should the required number of petition signatures be attained, the City would openly welcome the State auditing its finances to supplement the work thus far completed by KPM in review of FY 2019. However, the estimated expense of \$45,000 to \$65,000, potentially in addition to the \$13,000 that will have already been expended for KPM's services, is real and must be taken into account by all registered voters living in City limits who may consider signing the petition. Whether the estimated expense would be covered by reallocating funds in the City's current budget, tentatively requiring cuts, or by resorting to reserve funds so as to cover budget shortfalls, it would indeed impact the City and its operations. The more prudent direction, then, might be to budget for an audit that mirrors the State's, to be conducted in 2021, but taking such a step should also be weighed against other priorities, ranging from streets and infrastructure to parks and recreation and beyond.

In closing, I encourage you to attend Board of Aldermen meetings, whether in person (beginning on August 4) or virtually via Zoom, to address the Board about these concerns or others that are important to you during Public Participation. Those meetings are the first and third Tuesdays of each month at City Hall, currently at 7pm. To this end, please note that at its August 4 meeting, the Board will discuss/consider and potentially approve moving this meeting time up to 6pm. Nevertheless, beyond Board meetings, do not hesitate to reach out to the Board members (see information below) or me (mayor@cityofkn.net).

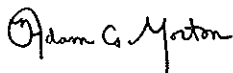
- ❑ Ward 1, encompassing all tracts located east of State St., is represented by Aldermen Rick Babineaux and Misty Thomas. Their City email address is ward1@cityofkn.net.
- ❑ Ward 2, encompassing tracts generally to the north of McKissock St. and west of State St., is represented by Aldermen Bud Thering and Jesse Stauffer-Baum. Their City email address is ward2@cityofkn.net.
- ❑ Ward 3, encompassing tracts generally to the south of McKissock St. and west of State St., is represented by Aldermen Ben Liechti and Thomas Charrette. Their City email address is ward3@cityofkn.net.

Additionally, the staff at City Hall is available and eager to assist you at any point Mondays-Fridays from 8am-5pm, except for designated holidays.

I also encourage you to access the Document Center on the City's website, www.cityofkn.net, and specifically the Transparency page in order to review audits completed for fiscal years (FYs) 2014-2018; please search "Audit." *The audit for FY 2019, performed in June 2020, will be available later this year once KPM completes and presents its outbrief to the Board.* In the Document Center you can also access the budget in effect for FY 2020, as well as budgets for FYs 2014-2019; please search "Budget."

Thank you for your cooperation and understanding as the Board and I await KPM's audit outbrief, to be presented later this year, and then diligently act upon the firm's recommendations in order to address or mitigate potential issues. In the meantime, we will continue to vigilantly explore the concerns that have been raised and will seek to keep you informed of disclosable developments as we are able.

Respectfully,



Adam C. Morton
Mayor of Knob Noster