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CITIZENS SUMMARY

Findings in the audit of Cass County Tax Increment Financing

TIF Financing

Tax increment financing (TIF) is an economic development tool that redirects local tax revenues toward the redevelopment of eligible properties that are otherwise economically unfeasible. When a TIF plan is adopted, real estate taxes in the redevelopment area are frozen at the current level. By applying the real estate tax rate to the increased assessed valuation resulting from redevelopment, a tax "increment" is produced. The real estate tax increments are referred to as payments in lieu of taxes (PILOTs).

PILOTs for each TIF district are collected by the county collector and distributed to the cities that authorized the TIF. The cities make further distributions to the TIF special allocation funds and to the other political subdivisions or back to the county collector for redistribution to the political subdivisions. The county assessor prepares reports of assessed valuations that are provided to the county clerk. The county clerk reports assessed valuations to the political subdivisions. The political subdivisions utilize the assessed valuations received from the county clerk to set their property tax levies. The county clerk is also responsible for reporting the assessed valuations to the Department of Elementary and Secondary Education (DESE) and the State Tax Commission. According to state law, the incremental increase in assessed value is not to be included in the total assessed value reported.

Cass County TIFs

In 2015, the Belton School District #124 questioned the accuracy of the assessed valuations reported to the district by the Cass County Clerk. The Cass County Assessor concluded the reports incorrectly included the full assessed valuation amounts for all TIF districts in Cass County. The County Assessor's reports indicated assessed valuations for the purpose of setting the property tax rates were likely overstated by \$23.8 million for 3 county-wide political subdivisions and lesser but significant amounts for 3 school districts, 3 cities, the county road and bridge property tax, a special road district, a community college and one fire protection district. The Belton School District #124 requested the State Auditor investigate the propriety of the assessed valuations reported by the county clerk and used in setting the district's tax rates. Each of the 12 TIF districts in existence during the audit period (2004-2015) have been approved by the governing bodies in the cities of Belton, Harrisonville, or Raymore.

TIF Assessed Valuation Reporting

The County Assessor's office does not have adequate controls to ensure compliance with state laws related to the valuation of TIF property. Although concerns had been raised about the assessed valuations for all 12 TIF districts in the county, auditors determined reporting errors were limited to one district, the Mullen TIF district in Belton for the 2004, 2005 and 2006 tax years. As a result of the reporting errors, additional property tax revenue of approximately \$203,000 could have been generated by four political subdivisions in Cass County if the adjusted tax rate ceiling had been calculated accurately. Belton School District #124 could have generated an additional \$52,000 in property taxes, the City of Belton could have generated an additional \$144,000 in property taxes, the Cass County Library could have generated an additional \$5,000 in property taxes, and the Metropolitan Community College District could have generated an additional \$2,000. Additionally, Belton School District #124 received

approximately \$265,000 less in state funding than it would have otherwise collected under the state school funding formula. The County Assessor's office did not review parcel level assessed valuations to ensure the accuracy of TIF district valuations, and overstated valuations were reported under the administrations of the former County Assessor and County Clerk. Auditors reviewed current procedures and determined both offices lack adequate controls to ensure accuracy.

Emergency Service District
Distribution

Auditors determined the South Metropolitan Fire Protection District was underpaid \$23,016 in property tax distributions based on statutory requirements. The City of Raymore issued payments to the district to correct the error.

Due to the limited scope of this audit, no overall rating is provided