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CITIZENS SUMMARY

Findings in the audit of City of Harrisonville

Highway 71/291 Partners in Progress Transportation Development District

The city and the Transportation Development District (TDD) did not plan for the financing of the TDD's share of the estimated \$5.4 million Phase II project costs, which totaled approximately \$1.7 million. The city pledged to loan the TDD up to \$1.5 million, with the majority of this funding to come from restricted utility funds, in violation of the bond covenants for the Electric and Combined Water and Sewer System (CWSS) Funds. The City Council approved Ordinance 3303 amending the agreement between the city and the TDD by an affirmative vote of 5 to 2, with one of Alderwomen voting yes on the measure even though her husband's family had an ownership interest in one of the businesses in the TDD, which gives the appearance of a conflict of interest.

Tax Increment Financing

Revenues generated in the Towne Center Redevelopment Area have not been sufficient to pay the bond principal and interest payments and the city has been required to cover the shortage with general revenues totaling over \$1 million. There are weaknesses with management and oversight, as well as compliance issues, with the city's TIF districts. The city provides accounting services for the Towne Center TDD, Towne Center TIF, Market Place TDD, and the Market Place TIF. The city maintains a fund for each TIF project that accounts for the receipts and disbursements of the TIF, along with the financial activity of the associated TDD, but the TDD's cash balance and TDD portion of the TIF debt is not maintained.

Utility Services

The city has no documentation of any discussions held and has no basis for determining the amount to be transferred from the Electric Fund to the General Fund as a franchise tax. During 2015, \$916,688 was transferred to the General Fund, which was based on 8 percent of electric sales and fees revenues. The city settled a dispute with Cass County in November 2015 involving a failed partnership related to the county's tri-generation project. This project was not discussed with the board or the Electric Department Supervisor prior to applying for a state grant related to the project and was determined to violate the city's agreement with its electric provider. The city does not include any disclosure about its relationship with the Missouri Joint Municipal Electric Utility Commission and the Missouri Public Energy Pool or detail about the city's ownership interest in power generating facilities under construction and/or to be constructed or potential ownership costs in the city's financial statements. Such disclosures are necessary to comply with accounting standards for state and local governments and to fully disclose the financial arrangements, as well as potential, significant future debt, to citizens.

Procurement Procedures and Contracts

The city has not established policies and procedures for the selection of vendors providing professional services. City personnel do not always follow the city's purchasing policy when obtaining goods and services. Significant improvement is needed in the city's handling of change orders related to construction projects. The city has not adopted a purchase order policy and city procedure does not require purchase orders for all goods and services obtained.

Police Station Construction Project	The city did not did not maintain supporting documentation for the final site selection for the police station. The city did not retain requests for qualifications received for civil engineering site construction plan services for the police station totaling \$19,528 and bids were not solicited for a variety of other goods and services related to the police station. The city did not pay timely 54 of 111 invoices reviewed related to the construction of the police station.
Allocations and Restricted Funds	The Finance Director uses several different calculations to allocate costs to various city funds, and some calculations used are questionable. Some disbursements and/or allocations to the Electric Fund and the CWSS Fund were not adequately supported and did not appear reasonable based on the explanations provided. The city does not track the balance of various restricted revenues.
Cash Handling Controls and Procedures	We noted several concerns regarding receipting, recording, and transmitting city monies. The city does not have adequate personnel in most departments where monies are collected to segregate duties and adequate oversight of the transmittal process is not performed.
Sunshine Law and Statutory Compliance	The Board of Aldermen discussed some items in closed meetings that are not allowed by state law and sometimes discussed issues other than the specific reason cited in the open minutes for going into a closed meeting. The city does not ensure minutes of meetings are prepared timely and posted to its website. The city did not comply with state law regarding publishing financial statements.
Accounting Controls and Procedures	The city has not taken steps to correct an accounting control deficiency identified by its independent auditor and included in the audit of the city's comprehensive annual financial report the last several years. The city has not developed written policies and procedures regarding handling and accounting for delinquent utility and emergency services accounts.
Capital Assets and Fuel Usage	The city has not developed procedures to identify capital assets purchases and dispositions throughout the year. City asset records are generally updated annually when physical inventories are performed in conjunction with the city's annual financial statement audit. The city's controls and procedures over fuel use and purchases within some city departments need improvement.

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

*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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