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CITIZENS SUMMARY

Findings in the Audit of the City of Bethany

Tax Increment Financing	<p>The audit identified concerns with the city's handling of Tax Increment Financing (TIF) project planning, funding, and reporting for the West Interstate Addition - South District (South TIF) and Northwest Interstate redevelopment areas (North TIF). The city did not take steps to ensure all available financing sources required by state law were utilized to finance construction of the South TIF redevelopment project. The lack of this significant source of revenue likely impacted the decisions made by the TIF Commission related to the planned project. The redevelopment projects for both the North and South TIF were poorly planned. For the South TIF, it is unclear what impact the planned project had on development of the economic area since the majority of the development occurred before discussions were held regarding the proposed project. The audit identified problems with reports prepared by the city regarding the progress of each TIF. For both TIFs, new businesses relocating to the areas were not always correctly reported and no estimates or actual amounts of jobs added or retained in the TIF were reported. The city has not held public hearings every 5 years for each TIF project as required by state law.</p>
Water and Sewer Systems Contract	<p>The decision to contract with a private company to operate and maintain the water and sewer systems was not made transparently. All meetings where this topic was discussed from February to April 2015 were closed to the public in violation of state law. Proposals seeking a company to operate and maintain water and sewer systems were not solicited competitively or in compliance with the city code. Board members did not review the formal cost-benefit analysis prepared to evaluate the decision to contract out services to operate and maintain the water and sewer systems before they voted on this change. The analysis prepared contained several flaws that bring into question the reliability of the information presented.</p>
Accounting Controls and Procedures	<p>The Board has not adequately segregated accounting duties or ensured documented supervisory or independent reviews of work performed by city office personnel are performed. The city absorbs credit card user fees when customers pay utility bills by credit card, rather than charging users a convenience fee. City personnel do not account for the numerical sequence of receipt slips issued from the financial accounting system.</p>
Restricted Assets	<p>The city has not established adequate procedures to ensure restricted monies are expended only for intended purposes. The city imposes assessments against utility funds (gas, electric, water, and sewer) to offset costs incurred by the General Fund for employees/officials doing work related to multiple city funds, along with administrative and overhead costs that pertain to multiple city funds. The allocations of salaries and other expenses to the utility funds are largely based on estimates, rather than actual time spent performing functions or actual usage of materials, supplies, or services by the various utility funds. In August 2015, the Board approved resolutions authorizing the Gas, Sewer, and Solid Waste Funds to loan the Parks Department more than \$1 million as part of a plan to refinance a previous pool bank loan. Utility Funds are restricted for their intended purpose and cannot be used in this manner. The city also expended a significant amount</p>

of Electric Department revenue in support of the Parks Department in recent years.

Utility Controls and Procedures	Rates charged for sewer services have not been established at levels consistent with the costs of providing those services. In June 2015, a \$25 fee was improperly added to sewer billings, in addition to the base rate, to help fund the construction of a new wastewater treatment plant. This fee was established without a public vote, may be in violation of the Hancock Amendment, and has allowed the city to build an excessive Sewer Fund balance. The city code regarding shut off procedures for nonpayment of services gives the City Clerk some discretion when shut offs should occur but does not provide for any oversight of this process. While not specifically authorized by city code, pay agreements are utilized, but are not enforced consistently or reviewed and approved by an independent person. Non-monetary adjustments made to the utility system are not reviewed by an independent person.
Expenditures	City personnel do not always solicit competitive bids or proposals for goods and services as required by the city code. The city did not obtain appraisals prior to selling property or leasing property with the intent to purchase.
Sunshine Law	The city did not ensure compliance with the Sunshine Law for closed meetings.
Budgets and Ordinances	City budgets did not include all statutorily required elements and budget estimates for some funds were unreasonable compared to actual results. The city does not have ordinances related to establishing compensation for city officials and employees.
Electronic Data Security	The city has not established adequate password controls to reduce the risk of unauthorized access to computers and data. The city does not store backup files at an off-site location or periodically test the backup data.

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

*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.