

The seal of the Missouri State Auditor is circular and features a central figure holding a scale and a sword. The text around the seal reads "SEAL OF THE STATE AUDITOR" at the top, "JUSTICE WE STAND DIVIDED" in the middle, and "1820 MISSOURI 1892" at the bottom.

Nicole Galloway, CPA

Missouri State Auditor

City of Excelsior Springs

Report No. 2021-022

May 2021

auditor.mo.gov



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the City of Excelsior Springs

Financial Condition	<p>The Golf Fund and Airport Fund are in poor financial condition and have reported operating losses the last several years. Deficit cash balances have been avoided for both funds by receiving advances from the General Fund. These advances, as of September 30, 2020, have accumulated to \$978,676 in the Golf Fund and \$69,294 in the Airport Fund. Storage rates at the airport are not supported by a cost study or other documentation. The City Council budgeted deficit cash balances of \$465,190 and \$61,345 for the Golf and Airport Funds, respectively, for the year ended September 30, 2020. The airport facility has several hangars and a building no longer used for airport operations. While the golf course and airport provide benefits to city residents and the General Fund has an adequate financial condition, the city should take steps to minimize losses in these funds.</p>
Allocations and Restricted Funds	<p>The Finance department provided no documentation to support monthly transfers made to the General Fund from 13 other restricted funds for the allocation of administrative and other indirect costs. A total of \$448,388 was transferred from various funds to the General Fund, but city personnel could not explain how these amounts were determined or provide support for the amounts allocated to the various funds.</p>
Cash Handling Controls and Procedures	<p>Improvement is needed in the handling of fees collected at the Finance, Parks and Recreation, and Public Works departments; golf course; and Community Center. Controls over non-monetary adjustments posted to the golf course accounting system need improvement.</p>
Disbursements	<p>The city has not solicited bids for information technology services since approximately 2000, and trash services since 2007. The city did not solicit competitive quotations for other products or services purchased during the year ended September 30, 2019. The city's procedures to account for fuel use at the golf course are not adequate.</p>
Utilities	<p>The city improperly records penalties for late payments of water, sewer, and trash bills to the General Fund, instead of the Water, Pollution Control, and Refuse Funds, and the revenue from the penalties was not used for allowable purposes. Controls over non-monetary adjustments posted to customer utility accounts need improvement.</p>

Sunshine Law

Some issues discussed in closed meetings were not allowable under the Sunshine Law and the City Council does not review and approve closed meeting minutes. The Council does not prepare meeting minutes for most Council work sessions, and city personnel do not maintain adequate records of requests for records to show compliance with state law.

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.

City of Excelsior Springs

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the Honorable Mayor
and
Members of the City Council
City of Excelsior Springs, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Excelsior Springs. We have audited certain operations of the city in fulfillment of our duties. The city engaged RSM US LLP, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended September 30, 2019. To minimize duplication of effort, we reviewed the CPA firm's audit report. The scope of our audit included, but was not necessarily limited to, the year ended September 30, 2019. The objectives of our audit were to:

1. Evaluate the city's internal controls over significant management and financial functions.
2. Evaluate the city's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

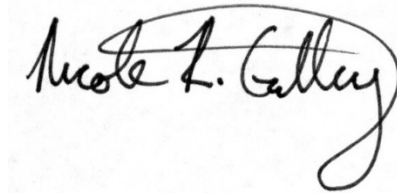
Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal control that is significant to the audit objectives and assessed the design and implementation of such internal control to the extent necessary to address our audit objectives. We also 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 applicable contract, grant agreement, 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.

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

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Excelsior Springs.

An additional report, No. 2020-020, *Seventh Judicial Circuit, City of Excelsior Springs Municipal Division*, was issued in April 2020.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping flourish at the end of the name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Senior Director:	Randall Gordon, M.Acct., CPA, CGAP
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City of Excelsior Springs

Management Advisory Report

State Auditor's Findings

1. Financial Condition

The Golf Fund and Airport Fund are in poor financial condition, have reported operating losses the last several years, and have only avoided deficit cash balances by receiving advances from the General Fund. In addition, the City Council has approved deficit budgets for both funds in recent years and city officials needs to consider ways to more efficiently utilize vacant space at the airport.

Golf course subsidization

The city has historically operated its golf course at a loss and advances from the General Fund have been necessary the last several years to prevent deficit cash balances in the Golf Fund. From 2017 to 2020, these advances totaled \$643,934, resulting in cumulative advances due to the General Fund of \$978,676, as of September 30, 2020. In addition to the advances, the Golf Fund was subsidized by a \$30,000 transfer in from the General Fund during the year ended September 30, 2017. The Golf Fund revenues, expenditures, operating loss, transfers in/out, capital contributions, and advances provided by the General Fund, according to information obtained from the city's independent audit report for the last 4 years were:

	Year Ended September 30,			
	2020	2019	2018	2017
Revenues	\$ 912,703	907,162	625,253	705,590
Expenditures	1,086,641	1,348,952	950,714	895,123
Operating loss before transfers and contributions	(173,938)	(441,790)	(325,461)	(189,533)
Capital contribution		1,648,105		
Transfers in			80,881	113,742
Transfers out	(39,891)	(41,519)	(41,836)	(41,746)
Change in Net Position	(213,829)	1,164,796	(286,416)	(117,537)
Advances provided by the General Fund	\$ 94,263	347,932	201,171	568

According to the City Manager, the new clubhouse and other amenities included in the Golf Course TIF project, along with other capital improvements made at the golf course, have helped increase the number of golf memberships and rounds of golf played. While the operating loss was reduced significantly during 2020, continued monitoring of the financial condition of the Golf Fund is necessary.

Airport subsidization

The city has also historically operated its airport at a loss and advances from the General Fund have been necessary the last several years to prevent deficit cash balances in the Airport Fund. From 2017 to 2020, these advances totaled \$35,986, resulting in cumulative advances due to the General Fund of \$69,294, as of September 30, 2020. The Airport Fund revenues, expenditures, operating loss, transfers out, and advances provided by the General Fund,



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according to information obtained from the city's independent audit report for the last 4 years were:

	Year Ended September 30,			
	2020	2019	2018	2017
Revenues	\$ 11,922	10,740	14,381	19,609
Expenditures	38,786	46,104	52,730	56,564
Operating loss before transfers	(26,864)	(35,364)	(38,349)	(36,955)
Transfers out	(5,317)	(5,800)	(5,800)	(5,800)
Change in Net Position	(32,181)	(41,164)	(44,149)	(42,755)
Advances provided by the General Fund	\$ 4,084	10,249	12,296	9,357

Storage rates at the airport are not supported by a cost study or other documentation showing how the rates were determined and have not been updated in recent years according to the City Manager.

Budget deficits

The City Council budgeted deficit cash balances of \$465,190 and \$61,345 for the Golf and Airport Funds, respectively, for the year ended September 30, 2020. The cash balances of both funds have been deficit budgeted since at least the 2017 budget. Section 67.010.2, RSMo, prohibits deficit budgeting from any fund.

Airport utilization

The airport facility has several hangers and a building no longer used for airport operations. Golf course equipment was stored at the airport during construction of the new clubhouse and pavilion between October 2017 and March 2019, but the unused areas of the airport have not been used since then. City officials solicited proposals for an outside operator to use the space, but they indicated they received no viable proposals. They also indicated they have had numerous discussions regarding use of the vacant hangars and building by other city departments, but no decisions have occurred. The grant agreement associated with capital improvements made to the airport in 2016 would require a pro-rated repayment of the \$450,000 grant if the airport closed within 20 years of the improvements. As a result, making more effective use of the vacant hangars and building could potentially help offset some of the operating losses because closing the airport is not economically feasible.

Conclusion

While the golf course and airport provide benefits to city residents and the General Fund has an adequate financial condition, the city should take steps to minimize losses in these funds. To maximize receipts and effectively utilize city assets, golf course rates should continue to be monitored and airport



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storage rates should be reassessed and supported by a current cost study. In addition, a plan should be developed to use the vacant hangars and building at the airport.

Recommendation

The City Council closely monitor the ongoing financial condition of the Golf and Airport Funds, consider options to minimize losses, and discontinue deficit budgeting these funds. In addition, ensure a cost study is performed of airport hangar rates and the vacant hangars and building are used effectively.

Auditee's Response

The City Council acknowledges that it is legal and within their authority to subsidize Golf and Airport Funds, but also agrees that options to minimize losses should be considered. Excelsior Springs has a history of providing amenities to its residents and tourist alike, both the airport and golf course contribute to our historical values for rest and relaxation. Actions over the last several years have been taken to make improvements to both airport and golf course properties in order to better position these operations in their markets to improve their revenue potential.

Proposals have been solicited to operate both the airport and golf course. A management agreement has been executed with a professional golf management company to manage the golf course effective February 1, 2021. No responsive proposals were received for the airport. Interest has been expressed from local pilots to manage the property with continued subsidies from the city.

- *The city will consider all options to ensure both the Airport and Golf Funds have a positive net position, by either forgiving all or a portion of the existing fund advances to both the Airport (\$61,345) and Golf Funds (\$978,676); and/or*
- *The city will consider an annual budgeted transfer of funds to either the Golf or Airport Fund, or both to end a practice of deficit budgeting.*
- *The city will work towards establishing a presence at the airport to maintain the property, making more effective use of vacant hangars and buildings, which do not restrict the use of the runway for aviation.*
- *The city will work towards completing a cost study or other documentation showing how the rates were determined for airport hangars and golf charges.*

2. Allocations and Restricted Funds

Indirect costs

The city has not established adequate procedures to allocate administrative and other indirect costs to restricted funds to ensure the money in those funds is only used for the restricted purposes.

The Finance department provided no documentation to support monthly transfers made to the General Fund from 13 other restricted funds for the allocation of administrative and other indirect costs. Finance department personnel indicated allocations are made to reimburse the General Fund but



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they could not explain how the total indirect costs were determined and had no documentation to support the amounts allocated to the various funds. The city has made these type of transfers for years, but has not prepared a cost allocation plan since 2011.

The amounts transferred from various funds to the General Fund for administrative and other indirect costs for the year ended September 30, 2019, were:

Fund	Allocated Costs
Water	\$ 180,000
Pollution Control	120,000
Refuse	42,700
Golf	35,698
Construction Services	26,000
Capital Improvements	10,325
Transportation Trust	8,333
General	6,500
Parks and Recreation	6,000
Airport	5,800
Elms Hotel Tax Increment Financing District	2,500
Vintage Development Tax Increment Financing District	2,299
Public Safety Sales Tax	1,838
Elms Hotel Event Fees	395
Total	\$ 448,388

Disbursements for certain funds are limited by law to specific activities. Generally accepted accounting principles require the city to retain documentation showing that disbursements from these restricted funds were associated with the specific activities allowed by law. The proper allocation of expenses is necessary for the city to accurately determine the results of operations of specific activities, thus enabling the city to establish the level of taxation and/or user charges necessary to meet all operating costs. To ensure restricted funds are used for intended purposes, the allocation of expenditures to city funds should be based on specific criteria, such as the number of hours worked by each employee, if possible, or by determining a reasonable basis to allocate costs from shared functions/employees benefiting multiple funds.

Recommendation

The City Council ensure administrative and indirect costs are allocated based on specific criteria and retain documentation to support the allocations.

Auditee's Response

The former Administrative Services Director began preparing an updated cost allocation plan in early 2020, which establishes specific criteria for allocating costs. While this plan did a good job of allocating costs based on



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the number of transactions, we plan to conduct a time study to ensure the estimates of employees time for various functions included in the calculations are reasonable and adequately supported. The city plans to finalize this plan and utilize it to determine indirect cost transfers for each fund for the year ended September 30, 2022. We will ensure documentation is retained to support the allocations.

3. Cash Handling Controls and Procedures

Improvement is needed in the handling of fees collected at the Finance, Parks and Recreation, and Public Works departments; golf course; and Community Center. These types of receipts are at greater risk since there are numerous collection points throughout the city with a variety of handling and record-keeping methods. As a result of the numerous control weaknesses, there is less assurance all city money has been handled and accounted for properly.

3.1 Receipting and transmitting

We noted several concerns with the receipting and transmittal of city money.

Accounting for receipt slips

Golf course personnel do not account for the numerical sequence of receipt slips issued to ensure all money collected is accounted for properly.

Manual receipt slips

The procedures associated with the issuance of manual receipt slips need improvement.

- Public Works department personnel do not account for the numerical sequence of manual receipt slips issued to ensure all money collected is accounted for properly.
- The Finance department does not ensure all manual receipt slips issued are subsequently posted to the accounting system. Finance department personnel indicated manual receipt slips are issued when the accounting system is unavailable and subsequently posted to the accounting system. The carbon copy of the manual receipt slips issued are not kept so it is not possible to determine how many manual receipt slips were issued and if they were subsequently posted to the accounting system.

Restrictive endorsement

City personnel do not restrictively endorse checks and money orders immediately upon receipt. The endorsement is applied by Finance department personnel after receipts are transmitted by each department for deposit.

Transmitting

Transmittal procedures at the Parks and Recreation department and golf course need improvement.

The Parks and Recreation department does not issue receipt slips for all money received or make transmittals intact or timely to the Finance department. During our cash count completed on January 7, 2020, we identified 2 checks, totaling \$100, both dated in April 2018, and \$153 in cash



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that had not been receipted. According to Parks and Recreation department personnel both checks and \$57 in cash were donations and the remaining \$96 in cash was concession sales for an event held on November 9, 2019. However, that cash was not included in the November 19, 2019, transmittal. Department personnel also indicated \$20 in cash was accidentally withheld from the November 19, 2019, transmittal. Finance department personnel identified and documented the \$20 shortage when the transmittal occurred.

The composition of receipt slips issued at the golf course is not compared to the composition of amounts transmitted by an independent person. Documentation submitted to the Finance department with transmittals does not include a listing of all receipts slips issued to allow a reconciliation of the composition to be made by Finance department personnel.

Conclusion

Failure to implement adequate receipting and transmitting procedures increases the risk that loss, theft, or misuse of money received will go undetected.

3.2 Golf course non-monetary adjustments

Controls over non-monetary adjustments posted to the golf course accounting system need improvement. Non-monetary adjustments are any transactions where money is not received; however, the amount due in the accounting system has been changed. Golf course personnel post non-monetary adjustments to the accounting system, such as writing off charges in both the Pro Shop and restaurant, and do not maintain documentation to support the reason for the adjustment. These employees collect money and post receipts to the accounting system and there is no independent supervisory review of these adjustments. In addition, a listing of all adjustments posted is not generated and compared to approved adjustments. As a result, there is an increased risk of theft and misuse occurring without being detected.

To ensure non-monetary adjustments are valid and approved, adjustment transactions should be approved before they are made in the computer system and the posted adjustments should later be compared to the list of approved adjustments. Review and approval of adjustments by an independent person is necessary to ensure adjustments made are proper.

Recommendations

The City Council:

- 3.1 Require the issuance of prenumbered receipt slips for all money received and ensure all manual receipts slips are posted timely to the accounting system. In addition, account for the numerical sequence of receipt slips, restrictively endorse all checks and money orders immediately upon receipt, transmit receipts intact and timely, and require an independent person reconcile the composition of receipt slips to the composition of transmittals.



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Auditee's Response

3.2 Ensure all non-monetary adjustments made at the golf course are properly approved, compared to actual changes posted to the computer system, and documentation of all such adjustments is retained.

3.1 *Because the city maintains numerous collection points throughout our operations (Finance, Parks, Public Works, Golf, and Community Center) the city will prepare a training module to convey proper cash handling procedures that can be utilized by all employees that handle money, with specific attention to the concerns expressed by the auditors in their recommendations.*

Each department will maintain a log of any manual receipts slips issued. The log will be provided to the Finance department to confirm that manual receipt slips were issued numerically and subsequently posted to the accounting system. Each department will be required to receipt all monies received, restrictively endorse checks and money orders immediately upon receipt, and transmit all funds collected timely to the Finance department, including a listing of all receipt slips issued. The Finance department will account for the numerical sequence of receipt slips issued and perform a reconciliation of the composition of receipt slips to the composition of amounts transmitted.

3.2 *Each department will maintain a log of all non-monetary adjustments where money is not received, such as writing off charges. The log will document the reason for the adjustment and independent supervisory review of all adjustments will be performed and documented.*

4. Disbursements

Improvement is needed in the city's bidding practices. In addition, controls over fuel usage at the golf course are not sufficient.

4.1 Bidding

The city has not solicited bids for information technology (IT) services since approximately 2000, and trash services since 2007. The city paid \$48,363 to the IT Contractor and \$794,905 to its trash service provider during the year ended September 30, 2019. In addition, the city did not solicit competitive quotations for the purchase of carbon dioxide for \$1,070 or vehicle repairs for \$1,698. City personnel indicated quotations were sought for the carbon dioxide purchase but they could not locate the documentation. The city's purchasing policy requires competitive quotations from at least 3 vendors for purchases from \$1,000 to \$9,999 and sealed bids for purchases over \$10,000.

Routine use of a competitive procurement process for major purchases and services ensures the city has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in city business. Documentation of the various proposals received, the selection



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process, and criteria should be retained to demonstrate compliance with applicable laws or regulations and support decisions made.

4.2 Fuel usage

The city's procedures to account for fuel use at the golf course are not adequate. The city maintains 3 bulk fuel tanks at the golf course and purchased bulk fuel totaling \$14,503 during the year ended September 30, 2019. Mileage and fuel logs are not maintained for vehicles and equipment. In addition, the bulk tanks do not have meters to track the gallons of fuel pumped. As a result, fuel use is not reconciled to fuel purchases.

Mileage and fuel logs are necessary to document the appropriate use of vehicles and equipment and to support fuel purchases. Without sufficient information, city officials cannot evaluate the propriety and reasonableness of fuel pumped/used or reconcile amounts used to fuel billings. Failure to account for fuel purchases and fuel usage could result in loss, theft, or misuse going undetected.

Recommendations

The City Council:

- 4.1 Ensure sealed bids and quotations are solicited for all applicable purchases and services in accordance with city policy.
- 4.2 Require usage and fuel logs be maintained for all vehicles and equipment at the golf course and install meters on bulk tanks. In addition, ensure fuel logs are reconciled to fuel purchases. Any significant discrepancies should be investigated.

Auditee's Response

- 4.1 *The city believes these purchases of carbon dioxide and IT and trash services represent unique circumstances, but acknowledges there is room for improvement.*
 - *Comments confirm that IT services have not been bid since 2000, a period of time that covers a significant revolution of technology, which makes it difficult to define and transfer knowledge of our systems. We have developed a Request for Qualifications for this service, which includes a definition of the services desired and a list of potential interested bidders. We however need to wait until our newer employees obtain a higher degree of utilization of the systems they are using before we consider the potential loss of knowledge that could occur with a change.*
 - *The trash services requires the successful bidder to supply an expansive list of equipment and individual trash containers, which requires a longer contract than would be typical, but acknowledge contract amendments that increase the period of*



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service need to be contained. The trash service was bid in 2020 and allows for an initial term with two possible time extensions.

- *Carbon dioxide is now one of 5 consumable items that are exempted from the approval process of the purchasing policy; however whenever possible the city does seek competitive quotations.*

4.2 *The city will take steps to measure the fuel usage at the golf course. While only equipment, golf carts, and mowers use fuel and none of these have odometers, a gauge on the dispensing tanks is possible and a log of when equipment is fueled is possible.*

5. Utilities

Improvement is needed in procedures for handling restricted utility revenues and adjustments to utility accounts. The city provides water, sewer, and refuse services. The city collected approximately \$8 million in utility revenues during the year ended September 30, 2019.

5.1 Penalties

The city improperly records penalties for late payments of water, sewer, and trash bills to the General Fund, instead of the Water, Pollution Control, and Refuse Funds. Additionally, the revenue from the penalties was not used for allowable purposes. Late payment penalties totaled \$103,739 during the year ended September 30, 2019. There is no evidence the City Council approved recording penalty revenue to the General Fund and the former Director of Administrative Services indicated penalty revenue has been recorded this way for many years. If the City Council intends to transfer any restricted revenues to the General Fund, this action should be formally approved, done in accordance with state law, and reflected in the budgets and financial statements as transfers from the applicable restricted fund. Failing to account for the late payment penalties within the various city funds gives the appearance that utility penalties are not restricted revenues.

To ensure restricted revenues are used for the intended purpose, payments received should be credited to the appropriate funds. In addition, Section 250.150.1, RSMo, restricts the use of sewer system revenue for operating the system, payment of bonds, establishment of a reserve, fulfillment of any agreements contained in ordinances, and payment of costs of improvements of such system. Section 250.150.2, RSMo, prohibits the transfer of that money except by action of the city governing body and only after all system operation and maintenance expenses and debt payments have been paid.

5.2 Non-monetary adjustments

Controls over non-monetary adjustments posted to customer utility accounts need improvement. Finance department clerks post non-monetary adjustments to waive customer late charges, adjust usage for inaccurate meter readings, or reduce a balance due to water leaks. These employees collect money and post receipts to the accounting system and only adjustments over \$20 are required to be approved by an independent person. Documentation to



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support the reason for the adjustment is not retained. In addition, a listing of all adjustments posted is not generated and compared to approved adjustments. As a result, there is an increased risk of theft and misuse occurring without being detected.

To ensure non-monetary adjustments are valid and approved, all adjustment transactions should be approved before they are made in the computer system and the posted adjustments should later be compared to the list of approved adjustments. Review and approval of adjustments by an independent person is necessary to ensure adjustments made are proper.

Recommendations

The City Council:

- 5.1 Ensure penalties for late utility payments are recorded as a revenue in the proper funds, those funds are used only for allowable purposes, and any transfers of restricted revenue are approved and made in accordance with state law.
- 5.2 Ensure all non-monetary adjustments to utility accounts are properly approved, compared to actual changes posted to the computer system and documentation of all non-monetary adjustments are retained.

Auditee's Response

- 5.1 *Following auditor comments, the city ended the practice of recording penalties in the General Fund, a practice that began in the 1980s. Penalties are now received in the Water Fund. The City Council will consider other alternatives to replace the lost revenue in the General Fund, which might be achieved from an increase in transfers due from indirect allocations or the initiation of a gross receipts surcharge on its utility funds, as authorized by the Missouri Supreme Court in the City of Hermann decision.*
- 5.2 *The Finance department will maintain a log of all non-monetary adjustments where money is not received, such as waiving customer late charges, adjustment for inaccurate meter readings, or to reduce a balance due to water leaks. Any adjustment over \$20 requires independent review. Documentation to support the reason for the adjustment will be noted in the log, and notation of independent approval before posting in the computer system.*

Auditor's Comment

- 5.1 Penalties should be distributed and recorded to the Water, Pollution Control, and Refuse Funds, as applicable, instead of solely distributed and recorded to the Water Fund.

6. Sunshine Law

The City Council's procedures for complying with the Sunshine Law and maintaining minutes of meetings need improvement. The Council generally meets twice monthly in both regular and work sessions and holds special



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meetings when necessary. The Council held 20 closed meetings from October 1, 2018, to May 20, 2020.

6.1 Closed meetings

Some issues discussed in closed meetings were not allowable under the Sunshine Law. For example, the Council discussed removal of the hangar doors on one of the hangars at the airport and the upcoming petition audit. In addition, the Council does not review and approve closed meeting minutes. Closed meeting minutes are only signed by the City Attorney, who prepares them.

Section 610.022.3, RSMo, mandates that the discussion topics and actions in closed meetings must be limited to only those specifically allowed by law as announced in the justification for closing the meeting. In addition, meeting minutes should be signed by the preparer and subsequently approved by the Council to provide an independent attestation that the minutes are a correct record of matters discussed and actions taken during meetings.

6.2 Work sessions

The Council does not prepare meeting minutes for most Council work sessions. Work sessions are typically held twice monthly, on Friday mornings before a Monday regular session is scheduled. Minutes are not kept for these work sessions, other than sessions held in August and September 2019 to discuss budget issues.

Section 610.020.7, RSMo, requires minutes of meetings be maintained as a record of business conducted and to provide an official record of actions and decisions.

6.3 Record requests

City personnel do not maintain adequate records of requests for records to show compliance with state law. While city personnel could produce actual request letters and their response letters, a log of requests is not maintained for providing other important information, such as the date a request was received, when records were provided, or important communications related to these requests. We reviewed 5 sunshine requests, and related documentation, received during 2019 and determined one request did not have documentation to support when the request was received and one request took 12 days for the city to provide a response.

Section 610.023, RSMo, provides each request for access to public records shall be acted upon as soon as possible, but in no event later than the end of the third business day following the date the request is received by the custodian of records. To ensure compliance with state law, the city should document adequate information in a log to determine if requests are completed timely and all requests are adequately filled. Necessary information includes, but is not limited to, the date of request, a brief description of the request, the date the request is completed or reason why the request cannot be completed, and any associated costs of filling the request.



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Recommendations

The City Council:

- 6.1 Ensure only topics allowed by state law are discussed in closed Council meetings and meeting minutes are signed by the preparer and approved by the Council.
- 6.2 Ensure meeting minutes are kept for all work sessions.
- 6.3 Ensure requests for information are responded to timely and maintain a public request log to help ensure compliance with state law.

Auditee's Response

- 6.1 *The City Council will ensure topics discussed in closed meetings are allowable and will begin review and approval of closed meeting minutes immediately. In closed session, previous minutes will be available for review and Council members will sign the minutes to indicate they have been reviewed.*
- 6.2 *An audio recording and handwritten summary of all work sessions is maintained, but the meeting summary will also be signed by Council members.*
- 6.3 *To supplement records requests, a log of all requests will be maintained by the City Clerk, to include the date and time the request is received, a brief description of the request, the date the request is completed or reason why the request cannot be completed, and any associated costs of filling the request.*

City of Excelsior Springs

Organization and Statistical Information

The City of Excelsior Springs is located in Clay County and Ray County. The city was incorporated in 1881 and is currently a third-class city operating under the provisions for a city manager form of government. The city employed 113 full-time employees and 172 part-time employees on September 30, 2019.

City operations include utility services (water, sewer, and trash), police, fire, ambulance, maintenance of streets, recreational facilities (parks and Community Center), golf course, and a hospital.

Mayor and City Council

The city government consists of a five-member City Council, elected at large for 3-year terms. Annually the Council selects one of its members to serve as mayor and another as mayor pro tem, who assumes mayoral responsibilities in the mayor's absence. The Mayor is paid \$350 per month and Councilmembers are paid \$250 per month. The compensation of these officials is established by ordinance. The Mayor and Councilmembers as of September 30, 2019, are identified below.

Brad Eales, Mayor (1)
Sharon Powell, Chairman Pro Tem (2)
Ambrose Buckman, Councilman (3)
Brent McElwee, Councilman
Sonya Morgan, Councilwoman (4)

- (1) Stephen Spear was elected to the Council in April 2021.
- (2) Elected Mayor by Council members in June 2020.
- (3) Andrew Kowalski was elected to the Council in June 2020.
- (4) Elected Chairman Pro-Tem by Council members in June 2020.

Other Principal Officials

The City Manager and City Clerk are appointed by the City Council. The City Attorney is a contracted position. The City Manager appoints various individuals to serve as department heads. The city's principal officials at September 30, 2019, are identified below:

Molly McGovern, City Manager
Shannon Stroud, City Clerk
Steve Marriott, Director of Administrative Services (1)
Chad Birdsong, Director of Public Works
Nate Williams, Director of Parks and Recreation
Clinton Reno, Police Chief
Melinda Mehaffy, Director of Economic Development
Jesse Hall, Community Center Director
Paul Tribble, Fire Chief (2)
John McClelland, City Attorney (3)

- (1) Steve Marriott resigned in June 2020 and Vonda Floyd was appointed Director of Finance in September 2020. That position replaced this position.
- (2) Paul Tribble retired in June 2020 and Bill Stewart was appointed Interim Fire Chief in June 2020.
- (3) Paul Campo became City Attorney in March 2020.



City of Excelsior Springs
Organization and Statistical Information

Financial Activity

A summary of the city's financial activity for the year ended September 30, 2019, obtained from the city's audited financial statements follows.



City of Excelsior Springs
Organization and Statistical Information

City of Excelsior Springs, Missouri

**Statement of Revenues, Expenditures and Changes in Fund Balances—
Governmental Funds
Year Ended September 30, 2019**

	General	Community Center Sales Tax
Revenues:		
Taxes	\$ 4,439,371	\$ 1,835,198
Licenses, permits and fees	208,294	-
Intergovernmental	629,660	-
Charges for services	1,219,872	-
Fines and forfeitures	303,761	-
Investment earnings	60,890	16,635
Miscellaneous	225,752	-
Total revenues	7,087,600	1,851,833
Expenditures:		
Current:		
General government:		
Administration	10,173	-
City manager/council	468,735	-
Economic development	151,140	-
Finance administration	474,869	-
Human resources	94,433	-
Building operations	130,455	-
Public works, street operations	1,059,556	-
Public safety:		
Police department	2,985,161	-
Municipal courts	129,466	-
Fire department	2,476,950	-
Cemetery operations	-	-
Community center activities	-	-
Recreational activities, parks and recreation	-	-
Community betterment:		
Transportation activities	169,710	-
Community development	298,332	-
Health and welfare	-	-
Capital outlay	222,475	-
Debt service:		
Principal	-	-
Interest	-	-
Trustee fees	-	-
Total expenditures	8,671,455	-
Excess (deficiency) of revenues over expenditures	(1,583,855)	1,851,833
Other financing sources (uses):		
Proceeds from sale of capital assets	-	-
Transfers in	1,129,854	-
Transfers out	(101,680)	(1,555,600)
Total other financing sources (uses)	1,028,174	(1,555,600)
Net change in fund balance	(555,681)	296,233
Fund balances, beginning	4,327,701	1,580,756
Fund balances, ending	\$ 3,772,020	\$ 1,876,989

See notes to basic financial statements.



City of Excelsior Springs
Organization and Statistical Information

Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,816,431	\$ 10,091,000
-	208,294
235,495	865,155
1,333,042	2,552,914
-	303,761
92,789	170,314
23,700	249,452
<u>5,501,457</u>	<u>14,440,890</u>
147,798	157,971
-	468,735
-	151,140
-	474,869
-	94,433
-	130,455
83,531	1,143,087
175,441	3,160,602
-	129,466
-	2,476,950
42,130	42,130
-	-
2,056,074	2,056,074
-	169,710
2,077,487	2,375,819
59,435	59,435
1,583,866	1,806,341
556,440	556,440
699,923	699,923
1,300	1,300
<u>7,483,425</u>	<u>16,154,880</u>
<u>(1,981,968)</u>	<u>(1,713,990)</u>
46,254	46,254
1,775,785	2,905,639
(779,532)	(2,436,812)
<u>1,042,507</u>	<u>515,081</u>
(939,461)	(1,198,909)
<u>7,956,471</u>	<u>13,864,928</u>
<u>\$ 7,017,010</u>	<u>\$ 12,666,019</u>



City of Excelsior Springs
Organization and Statistical Information

City of Excelsior Springs, Missouri

Statement of Revenues, Expenses and Changes in Fund Net Position
Enterprise Funds
Year Ended September 30, 2019

	Water	Pollution Control	Golf	Nonmajor Enterprise Funds	Total Enterprise Funds
Operating revenues:					
Charges for services	\$ 3,334,780	\$ 3,765,911	\$ 899,474	\$ 863,483	\$ 8,863,648
Rental income	26,296	9,450	-	9,648	45,394
Other	4,010	1,430	7,688	37,016	50,144
Total operating revenues	3,365,086	3,776,791	907,162	910,147	8,959,186
Operating expenses:					
Personnel services	839,950	663,781	675,635	64,928	2,244,294
Contractual and professional services	18,357	82,206	7,731	827,048	935,342
Utilities	175,826	320,449	32,343	27,038	555,656
Maintenance and repairs	868,319	353,585	105,281	3,484	1,330,669
Cost of goods sold	-	-	234,859	-	234,859
Insurance	83,463	36,469	12,740	1,149	133,821
Supplies and materials	264,978	90,319	143,208	23,820	522,325
Depreciation	920,407	1,118,635	137,155	31,013	2,207,210
Total operating expenses	3,171,300	2,665,444	1,348,952	978,480	8,164,176
Operating income (loss)	193,786	1,111,347	(441,790)	(68,333)	795,010
Nonoperating revenue (expense):					
Investment earnings	289,227	406,653	-	673	696,553
Interest expense	(800,984)	(1,218,302)	-	-	(2,019,286)
Total nonoperating revenue (expense)	(511,757)	(811,649)	-	673	(1,322,733)
Income (loss) before capital contributions and transfers	(317,971)	299,698	(441,790)	(67,660)	(527,723)
Capital contribution	-	-	1,648,105	-	1,648,105
Transfers in	-	26,512	-	-	26,512
Transfers out	(241,633)	(163,687)	(41,519)	(48,500)	(495,339)
	(241,633)	(137,175)	1,606,586	(48,500)	1,179,278
Change in net position	(559,604)	162,523	1,164,796	(116,160)	651,555
Total net position, beginning	7,810,101	4,081,628	141,608	656,455	12,689,792
Total net position, ending	\$ 7,250,497	\$ 4,244,151	\$ 1,306,404	\$ 540,295	\$ 13,341,347

See notes to basic financial statements.