

**City of Alpine
Regular City Council Meeting
Tuesday, March 29th, 2016
5:30 P.M.
Minutes**

- 1. Call to Order, Invocation and Pledge of allegiance to the flags – Mayor Rangra called the meeting to order. Dick Zimmer gave the invocation. Mayor Rangra led the pledge of allegiance to the flags.**
- 2. Determination of a quorum and proof of notice of the meeting – Mayor Rangra, Councilors Antrim, Salas, Fitzgerald, Gonzales and Stephens were present. The meeting notice had been posted at 10:30 A.M. on March 18th, 2016. City Manager Zimmer, City Finance Director Antrim and City Secretary Taylor were also present.**
- 3. Presentations, recognitions and proclamations – None**
- 4. Reports –
City Mayor’s Report - (A. Rangra, Mayor) – Mayor Rangra said he received a call from the Manager of AEP and he said that the Council will be getting a package on April 6th. He said AEP is requesting an increase.**

City Manager Report – (E. Zimmer, CM) – City Manager Zimmer said he did not have a report since this was a special meeting.

City Staff Updates – None

- 5. Public Hearings – None**
- 6. Consent Agenda – (Minutes, Financial reports, Department written reports, board appointments, etc.) – (Notice to the Public – The following items are of a routine and administrative nature. The Council has been furnished with background and support material on each item, and/or it has been discussed at a previous meeting. All items will be acted upon by one vote without being discussed separately unless requested by a Council Member, in which event the item or items will immediately be withdrawn for individual consideration in its normal sequence after the items not requiring separate discussion have been acted upon. The remaining items will be adopted by one vote.) – None**
- 7. Information or Discussion items – None**

Action Items to be accompanied by a brief statement of facts, including where funds are coming from, if applicable. (Action items limited to (up to) 10 per meeting.) (Citizens are allowed to comment–limited to 3 minutes – after being called upon by Mayor or Mayor Pro Tem) Citizens are required to state

their name and the Ward in which they reside. Priority will be given to citizens of Alpine and those who own businesses or property in the City. Individuals who do not live in, or own businesses or property in the City limits of Alpine, will be allowed to speak if there is time available.)

8. Discuss and Consider approving Resolution 2016-03-10, accepting the FY 2014/2015 (year ending September 30, 2015) Audit from Gibson, Ruddock and Patterson, LLC, City of Alpine Auditors. (E. Zimmer, CM) - Craig Gibson said they went over the draft last time, at the last meeting. He said now we have the final numbers and the final report. He said the biggest difference relates to the health insurance. He said the health insurance is a self insured plan and it has always been accounted for within the General Fund. He said one of the comments last year was that it needed to be pulled out and set up as a separate internal service fund. He said they did not have all the information available when they had the draft but Megan and her staff have worked diligently to get everything put together so they were able to pull that out of the General Fund and set it up as a separate Internal Service Fund. He said the numbers are somewhat different so he would like to just briefly go over all the graphs again and he will show the Council the main difference. He said the comparison of the Revenue had minor changes and the comments they made last time still stand. He said the big increase in the green section which is the other Revenue, relates to the Franchise Fees, that are now being charged by the General Fund to the water and gas funds so they can correctly account for the fees that were charged. He said they are not just transfers of funds but payment to the central government for services that are provided. He said the next graph was a comparison of the expenditures and as they mentioned a couple of weeks ago, there is hardly any change there. He said there is a little bit of a decrease overall but all in all the numbers are so similar, the color bars look almost identical. He said the next graph is where you see the big impact of the change. He said this shows the Internal Service Fund now. He said in the previous graph they had shown a decrease in the General Fund. He said they had shown a negative 800 and now it is only a negative 620. He said that is an improvement and it is related to moving the self insurance. He said the water and sewer fund has stayed the same. Craig said one of the things they had to do was a new pronouncement that came into effect this year. He said they refer to it as GASB 68, Government Accounting Standards Board. He said it required booking the certain pension plan liabilities or assets, which is something new. He said they have always had to identify them in the footnotes but they were not always reported in the books. He said now they are being recorded in the books. He said it did not impact the General Fund because it is a long term liability and the General Fund does not record long term liability but the proprietary funds do record them. He said there is a slight change in there. He said it is on Page 22 of the bound Audit statement. He said if you look at the asset

section on top there is a line about half way down for deferred outflows of resources. He said this line relates to the pension plan. He said up above in the non-current assets, you see a net pension asset. He said it is \$225,000 in the water fund and \$178 and that is also related to GASB 68. He said further down in the liability section is the deferred inflows and outflows of resources. He said again this does not change the activity of the entity but it does in a very small amount because the city is paying the current requirement into the pension fund every year. He said we are not building up a liability. He said in fact the City is fully funded. He said other governmental entities are having to pay more than current requirement because they had a large gap from what should have been paid. He said a lot of governmental entities have to pay a little bit more than the current requirement having to catch up. He said Alpine really is in good shape from the pension fund standpoint. He said you do not have that negative impact from this pronouncement. He said the same thing on the gas fund. The graph does not change. He said from the graphs standpoint there is very little change. He asked the Council to go to page 15 and they would see similar accounts on this. He said the asset statements in the Government wide section, if you look at that, you see the net pension asset halfway down the page and the deferred outflows. He said halfway down in the liability section you see the deferred inflows. He said these deferred items, up until a couple of years ago would have been considered an asset. He said they have a special section but they are still totaled up in other sections. He said they are supposed to make things a little bit more understandable but his experience is it makes it a little harder to understand. He said he does not write the rules. He said from a financial standpoint, the other change you see back on page 22 and 23 there is a new column and that is the insurance fund. He said there is a column for a balance sheet and a column for the income statement or revenues and expenses and so forth. He said you can see how it has been pulled out and now it will be accounted for on its own and each month it is not going to be mucking up the General funds report because it is going to be completely pulled out. He said reported separately it is much cleaner. He said the other items that he would like to mention has to do with the findings. He asked the Council to flip back to page 77. He said they still have the same four findings however auditors are kind of like a bulldog with a bone. He said once they get hold of something they are not going to let it go until it is completely cleared up. He said even though there has been significant improvement, they could not be removed because the issues were not entirely cleared up for the year. He said he fully expects these to go away next year. He said we are halfway through the year. He said last year when they issued the audit, half the year was over. He said he believes the systems are in place now but there is still some tweaking of the software that needs to take place. He said every time an accounts payable is being posted, some of it is being posted to the wrong place. He said what staff has to do is move it from that account

over to the appropriate account. He said there is some tweaking that needs to be done. Marlene said it was the same with the “due to” and “due froms”. She said that should go away also. Craig said number 3 has to do with the year end cut off procedures. He said the bulk of that has to do with using the system appropriately. He said number 4 is the closing of the prior year. He said you take the balances and you move them forward to the next year. He said there is some little hiccup in the setup and the balances are not rolling forward properly. He said they have to be adjusted for the opening balances to be corrected. He said what he recalls from his discussions with Megan and her staff. She has identified the reason it is happening and hopefully we can get this set up so we do not have these issues. Councilor Gonzales asked if Craig was saying that this was all software related. Craig said certainly the roll forward has to be software related. Councilor Gonzales asked if it could be input. Craig said once you close, it should roll over. Megan said there were some inputs that happened after closing. Craig said so part of it was procedural. Megan said the staff has been told about that. Craig said again, last years comments were not shared until they were halfway through with that year. He said they are not expecting to see these findings next year. He said the separate letter on letterhead is what they refer to as the management letter. He said that is where they share their recommendations for other improvements that are not findings. He said they are procedure related and so forth and there are a number of them. He said they also have the prior year comments to let the council know. He said of the prior year comments on page 10, 8 of them have been completely cleared up. He said 12 of them were repeated in some form. He said if you just look at the current year comment starting on page 4, it includes any of the prior year that have not been entirely cleared up. He said one thing that he needs to make sure that everybody understands is that we have a number of comments again this year as we did in the prior year. He said he does not want that to be interpreted as there has not been any progress because that is incorrect. He said there has been a significant amount of progress. He said once certain systems are put in place and procedures are adopted, it allows them to dig deeper into other areas, so they can find other areas that need attention. He said also there were some comments and we found 2 items out of the 100 or whatever that have an issue whereas in the prior years there was probably a dozen or so. He said it is important for the council to understand that there has been significant progress and they really encourage the city to continue implementing these systems and continue doing them because the city ran for many years with somewhat loose controls and lack of procedures. To get your staff to implement controls after they have “followed their own drummer” for years and years is a struggle. He said they have seen significant progress in purchase orders and accounts payable and payroll but there is still room for improvement and that is what they are citing in the management letter. He said he thinks the comments are pretty straight

forward and management has responded to let you know what they are doing or planning to do. Councilor Stephens asked what the difference was between the draft document and the bound document. Craig said the draft document was something that the City Manager wanted him to give to the Council. He said the draft was what they had so far. He said the bound document was the final numbers, so the Council should destroy the draft since it was just a working document. Councilor Stephens said the Council just got this tonight? Marlene said the difference is the GASB numbers and moving the internal service funds out. Councilor Stephens said he was just looking at page 9 and saw a number of differences and he was trying to reconcile them. Mayor Rangra asked what the time lag was between the first document that we got and the final copy. Craig said it was a matter of when we got the information. Mayor Rangra said it makes it difficult when you get a document "right now" that has been changed. He said he went through the draft page by page. Councilor Stephens said he noticed on the city balance sheet, the bottom line is the same but the ones leading up to it are different. Marlene explained that some line items had been moved to a different fund. Councilor Stephens said what you (Marlene) are trying to tell me is that everything is the same but some items have been moved around. Marlene said the GASB 68 and the self-insurance were the main things. She said other than that they tried to break out things more properly. She said it is more detail. Councilor Stephens said as someone who has read a lot of audits, you are putting the Council at a disadvantage when the council gets a new document that switches things around with no time to read it properly. Craig said he did not like drafts. Councilor Stephens said he does not looking at something without having the opportunity to go through it. Mayor Rangra said looking at the property taxes, it shows a drop in taxes between 2014 and 2015. He said the new document shows an increase. Craig said this is a timing issue and we can only work on it when we get the information. He said they do not generate the information. He said there were delays in getting the information from your folks and this gets back to procedures because if the system puts things in the wrong place then people have to go back and research and figure out where it is supposed to go so now we are way behind schedule. Craig said there is a March 31st deadline for one year reporting. He said there was a big push to get it done and he guessed it was already on the agenda, so it was decided to give a draft of what we had so far. He said he agrees with them 100%. He said he does not like issuing drafts unless it is just because you just want to look at it before you print it. He said he is 100% with them. He said timing is out of their hands when they do not have the information. City Manager Zimmer said one of the things he was going to share on the property tax side implemented over the last couple of years has been the designation of dollars as they come into the sinking fund. He said we have tried to throttle back from a budgetary perspective. Councilor Stephens said the assets are up on the positive side and debt

is down. Our long term debt has been reduced to 6.5 million. He said from a city standpoint we are significantly better than we were last year. He said that is the great news story. Pension was discussed and Craig said they only do the accounting for the numbers that are already there. Craig said TMRS has their own auditors. He said before this year retirement only came into the footnotes. Councilor Gonzales said he understands that the auditors use the information and put it together in this document. He said in the auditors letter, does it say that the auditors did not get some of the information until 6 months later and is that why we still have 12 repeated errors in this year? Craig said once we issue, just like tonight, six months have already gone by and transactions have occurred and have been recorded. He said he is saying that they could not go back and try to redo. In the past six months they started implementing new procedures as time allowed for the remainder of the fiscal year. Councilor Gonzales said so in effect you are saying that they have already done some of these things, then why bring them up. He asked why didn't they modify it like they did the other documents. Craig said because we have not audited where they have made these other corrections. Councilor Gonzales said these are new but he is talking about the old ones. Craig said because when they audited they are telling you what they found. He said they found errors in the last year's activity. He said they are reporting what they found. He said they are hoping in next year's audit the procedures that they have implemented will have alleviated those errors. Councilor Gonzales said this was for two years? He said now we are in 2015 and some of the errors were duplicated and some of them have been taken care of. He said the list was sent to management and management said this is what we are going to do, right? Craig said right. Councilor Gonzales said why bring it up if it is already corrected? Craig said because they have not seen for their own eyes that it has been corrected. He said they need to audit the following year to see that it has been corrected. Councilor Gonzales said in 2014 there were certain items that were not procedural or not done correctly or whatever the reason but the auditors wrote them down. He said and now we find out that there were 12 items that were repeated. Marlene said some of them may not be repeated exactly and that is why for example one of them was on your current policy. She said policies were in place but there were still some details that needed to be added. Marlene said it is repeated but it is to make it better. She said they may be repeated but not exactly the same. She said there was improvement however we still need to make more improvements. She said last year we had more exceptions but this year we only had a few. Craig said he could give an example on page 10. He said while testing non-payroll disbursements they noted that the majority of the transactions did not reference a PO. He said if you go to number 1 on page 4, while testing non-payroll disbursements they noted three transactions that did not have a PO. He said there has been improvement, significant improvement, but they still saw three, so they

are telling the Council what they found. He said they are not holding back as to there was good improvement, they want the Council to know exactly what they are finding, so when he says there has been significant improvement, that kind of shows the Council what they are talking about Craig said they noticed two instances where a vendor was paid twice. He said they still need to work on their procedures and matching invoice numbers. Councilor Gonzales said he can see why that was brought up but there are many instances where things are getting better. Megan said the vendor that was in question had a credit on the books but it never got applied. She said it is a monthly payment. She said it got applied to the vendor we had, it just did not get applied to the next one. She said they fell behind on issuing a vendor a credit. She said the vendor immediately said they did not want a credit but wanted the refund and they got the check out in a week. Councilor Gonzales said the procedure here would be to check the invoices with the checks. Craig said the Accounts Payable is based on the invoice number. He said the system should not allow you to enter a payment in twice. Councilor Gonzales said "so you are saying this is a software program". Megan said this is not a software problem. She said they input the vendor invoice numbers. She said for this vendor in question, two employees had entered the invoice. She said we no longer have two employees doing invoices, we only have one and she has steps. She said she searches by Vendor name, vendor invoice number and if it comes down to it she can pull the actual folder with the actual checks to double check and make sure. She said they also implemented a third process where all the bills are gone over. Councilor Gonzales said they still need to be corrected. Craig said there has been improvement, significant improvement. He said he just wants the council to know . Craig said we know the council was paid twice on this. Craig said they still need to work on their procedures. Councilor Gonzales said he could see that being brought up but there is no instance that things are getting better in that situation. He said in this case it took them a year to get the money back. Marlene said the vendor invoice does not show that the vendor paid. Megan said with everything sometimes we get a little behind and forget to ask the vendor if we can apply that credit. She said when this was brought up they immediately said we want the refund and not the credit and we immediately got the check back in a week. Councilor Gonzales said so the procedure here would be to check invoices with checks to make sure that we have the right amount. Craig said the Accounts Payable. Craig said this should be based on an invoice number and not a statement. Craig said the system shows that you can go outside the box now. Councilor Gonzales asked if this was a software problem. Craig said he did not know about this until now. Megan said this was not a software problem. She said they input the vendor's numbers. Councilor Fitzgerald said the Finance Department technically, did a good job. Manfred Fritsche said he lived in Ward 1. He said he thinks the audit report is one of the most important reports. He said the audit report ought

to be disseminated in a way to the public, so that they may comprehend it. He said he called Megan today and asked if he could have a look at the audit report. He said Megan said no. He said he asked her if there were any material weaknesses and significant in deficiencies in the report. He said she could not tell him and to come to the meeting tonight. He said last year he showed up and could not ask any questions or have any information. He said three days later he picked up his copy of the audit report. He said it was for 13/14. He said the presentation that was made took all of 5 minutes and everything was wonderful, improvements were being made and we are making progress. Mayor Rangra asked the City Attorney about the Finance Director being asked for a copy of the audit report before the meeting and before the Council had a chance to talk about it. He said the Finance Director said no, she could not give it to him. He asked if that was correct and we could not give it to him. The City Attorney said it would be an open record request if the document was available to the city for distribution. And the city would have 10 days to remit the document. Manfred Fritsche said he heard the answer but he would like to go back to the old days. Mayor Rangra said let's not go back to the old days. Manfred said last year after the audit he came in and received the audit and paid \$7.20 for it. He talked about material weaknesses and significant deficiencies and how he felt they were a serious issue. He asked what was wrong with the management here. He asked the auditor questions about the material weaknesses and significant deficiencies. The auditor said they were not exactly identical. Manfred said his conclusion is that the Financial Management of the city is severely deficient. Joseph Goldman said there are certain dates when the audit must be presented to the Council so that they can make a decision on it. He said when a draft is changed to another document usually a sheet is prepared with all the changes on it. He said in this case he thinks this would have helped. Angela Bermudez said if the Mayor was still signing checks, those two checks would not have gotten past him. Mayor Rangra asked about the fund balance. He said in the General Fund it says it is minus \$571,000. Craig said Fund Balance is the equity of a particular fund so in the General Fund there are certain restrictions and whatever is left over is what is called the unassigned fund balance. He said two years ago they realized that there were certain inconsistencies with the reporting and they had to move certain activity out of the General fund and into various other funds. He said a significant amount of equity came out. He said what was determined was that the General Fund had borrowed money from various other funds to operate and that is why they had a deficit. He said that is why they commented on how pleased they were in seeing that deficit decrease. He said that has to do with the fact that the City is budgeting appropriately and sticking to the budgeted amounts. Mayor Rangra said it is not a negative cash flow. Craig said no. Craig said there was a good cash flow and the deficit is going down and that indicates that the city has more revenue than expenditures. Mayor

Rangra said we have plenty of money in the Retirement fund to take care of everyone. Craig said right, you are fully funded. Councilor Stephens said the material weaknesses have been cleaned up significantly. He said he understands that progress is being made, it is not all the way complete yet, but given what they have seen, the auditors expect this to clear up. Councilor Gonzales asked about money being moved without proper procedure. He asked if money was put aside by Resolution, what is the procedure to get it back. Craig said when you pass a Resolution to commit fund balance you are not actually putting cash aside. He said you are committing part of your equity. He said there is not a cash account with that name on it. He said it is a matter of restricting the equity. He said when you see restricted cash that's because an outside entity has given you money for whatever purpose and there are strings attached to the cash. He said it sits in a restricted account. Councilor Gonzales said it did not get put in a restricted account. He said we did get the cash from somewhere else. He said it came from the gas money. The City Attorney said the Council was going outside the purview of the posted agenda item. He said this question is off topic. Mayor Rangra said the Attorney said we could not talk about this anymore. Councilor Salas asked how many times checks were duplicated. Megan said there were two and described the situations. Megan also talked about all the various accounts. The City Manager said the checks are listed on the website. Motion was made by Councilor Fitzgerald, to approve Resolution 2016-03-10, accepting the FY 2014/2015 (year ending September 30, 2015) Audit from Gibson, Ruddock and Patterson, LLC, City of Alpine Auditors. Motion was seconded by Councilor Antrim. Motion unanimously carried.

9. Council Member Comments And Answers –

Councilor Antrim – thanked the Auditors for their presentation and the hard work they put in and she would like to thank people for coming. She said she was sorry there were not more people here with more comments from the public because this was an important issue. She thanked all the people who did come to the meeting.

Councilor Salas – said she also would like to thank the auditors and our City Staff for their hard work and for us being in the black. She said that is really a good sign.

Councilor Fitzgerald – said thanks to the Auditors.

Councilor Gonzales – said thank you for the work on the audit and he looks forward to seeing the next one.

Councilor Stephens – said it was a good audit, certainly there were material weaknesses but it sounds like they were left over from two years ago. He said the net position from the City standpoint, we have 2.1 million dollars more assets in the city than we had last year and our debt is down to 6.5 million dollars. He said he thinks that is great news from the city standpoint. He said of course we have things to work on, you always do, and that is why we have audits. He said he thinks we have a professional

team for the audit standpoint and a professional city staff who is managing things for us and we have seen the results. He thanked everyone for participating in the discussion tonight.

Mayor Rangra – asked the Attorney now that the Council has looked at the audit report, can it be shared with the public? The City Attorney said the audit could be put on line and shared with the public in that way. Mayor Rangra thanked everyone for coming.

10. **Executive Session** – None

11. **Action after Executive Session** – None

12. **Adjournment** – There being no further business, meeting was adjourned upon the motion of Councilor Salas and seconded by Councilor Fitzgerald. Motion carried.

NOTICE: The City Council reserves the right to adjourn into Executive Session at any time during the course of this meeting to discuss any of the matters listed on the posted agenda, above, as authorized by the Texas Government Code, Sections 551.071 (consultation with attorney), 551.072 (deliberations about real property), 551.073 (deliberations about gifts and donations), 551.074 (personnel matters), 551.076 (deliberations about security devices), and 551.086 (economic development).

I certify that this notice was posted at 10:30 A.M. on March 18th, 2016, pursuant to Texas Open Meetings Act. (Texas Vernon's Annotated Civil statutes, section 551.043 Texas Government Code.) This facility is wheelchair accessible and accessible parking space is available. Requests for accommodations or interpretive services must be made 48 hours prior to this meeting. Please contact the city secretary's office at (432) 837-3301 or fax (432) 837-2044 for further information.

Dr. Avinash Rangra, Mayor

Attest:

Margaret "Molly" Taylor, City Secretary

I, Margaret "Molly" Taylor, City Secretary, do certify that this notice was posted at 10:30 A.M. on March 18th, 2016, and remained so posted continuously for at least 72 hours preceding the scheduled time of said meeting.

Margaret "Molly" Taylor, City Secretary