

**CITY OF INGLESIDE
SPECIAL CITY COUNCIL MEETING
&
BUDGET WORKSHOP
MINUTES
AUGUST 03, 2024**

Opening Agenda

1. Call regular meeting to order.

The Special City Council Meeting & Budget Workshop of the City of Ingleside was called to order by Mayor Adame at 8:31 a.m. on July 23, 2024, at Ingleside Volunteer Fire Department, 2425 8th St., Ingleside, TX and live video streaming.

2. Roll Call.

With Council Members present a quorum was established.

Council Members Present: Steve Diehl, Stewart Wilson, David Pruitt, John Salinas, Mayor Pro-Tem Tracy Long, Julio Salinas, and Mayor Adame.

3. Invocation.

Council Member Pruitt led the invocation.

4. Pledge of Allegiance.

Mayor Adame led the Pledge of Allegiance to the U.S. flag.

5. Citizen Comments and Reports.

There were no Citizen Comments presented for this meeting.

Mayor Adame requested that the Executive Session be moved before Item 6.

Executive Session

10. Closed Session

City Council will meet in Closed Session pursuant to the provisions of Chapter 551 of the Texas Government Code, in accordance with the authority contained in:

A. Section 551.071 Consultations with Attorney – Legal options and process concerning complaint

At 8:33 a.m. Mayor Adame convened the Ingleside City Council into a closed session pursuant to provision of Chapter 551 of the Texas Government Code, in accordance with the authority contained in Section 551.071 Consultations with Attorney – Legal options and process concerning complaint.

11. Open Session

City Council will reconvene in Open Session at which time action on the matter(s) discussed in Closed Session may be considered.

A. Section 551.071 Consultations with Attorney – Legal options and process concerning complaint

At 8:53 a.m. Mayor Adame reconvened the Ingleside City Council into an open session pursuant to provision of Chapter 551 of the Texas Government Code to take any action necessary related to the executive session noted herein, or regular agenda items, noted above, and/or related items.

Item A: No Action taken.

Special Agenda**6. TABLED ON 7/23/2024 – Discuss and take appropriate action on the acceptance of the City of Ingleside Annual Financial Report for the Year Ended September 30, 2023.**

Janet Pitman, abip Audit Partner, presented the Annual Comprehensive Financial Report (ACFR) for the Fiscal Year Ended September 30, 2023. The presentation encompassed the Independent Auditor's Report (ACFR page 1-3), Management Discussion and Analysis (ACFR page 5-13), Government-Wide and Fund Financial Statements (ACFR page 8-9, 20-21, 28, 66-68, 28) Notes to the Financial Statements, Required Supplementary Information, Statistical Tables, and Compliance Section (ACFR page 121-138).

Discussion was held between Council Members, City Manager Lewis and abip Audit Partner Janet Pitman about the Annual Comprehensive Financial Report. The audit being the biggest document that the Council receives; discrepancies found, \$11.4M for the unencumbered balance; investment funds overstated and the vendor being aware of this; previous auditors called; ending balances needing to be adjusted; reconciling balances; adjustment of grants; large adjustment of financial statements; capital investments needing adjustments; the audit document setting the tone for the upcoming budget year; adjustment to construction, \$19M large adjustment for the Water Development Board journal entry; invoices being submitted for reimbursement; recording as escrow then debt; prepaid insurance; liabilities account; and auditors going back ten years on property taxes.

Discussion continued with Janet Pitman as she discussed the Schedule of Findings on pages 130 – 136 of Annual Financial Report for Year Ended September 30, 2023.

Overall – Material Weakness

The City had an ineffective reconciliation process during the fiscal year and ineffective fiscal year-end close procedures which resulted in a significant number of misstatements to the general ledger accounts. This in addition to insufficient oversight, resulted in numerous audit adjustment entries to correct the material misstatements identified through audit procedures. The utility fund balance roll-forward was out of balance at the beginning of the year and prior period adjustments were required.

Grant Revenue and Receivables - Material Weakness

The City did not properly record, and match revenue related to reimbursable expenses for federal and state grants during the fiscal year. Grants receivable and accounts payable in the grant fund were understated.

Capital Asset Additions and Disposals - Material Weakness

The City does not maintain an up-to-date and accurate schedule of capital assets and accumulated depreciation. The City did not identify and record all capital asset additions and disposals to the capital asset schedule during the fiscal year.

Construction Retainage Payable – Material Weakness

The City did not properly reconcile construction retainage payable at year-end. The retainage payable and the associated expense accounts were misstated.

Unrecorded Debt – Material Weakness

The City issued new debt in August 2023 and the long-term debt, loan origination fees, related bond fund and interest earned were not recorded in the financials.

Prepaid Expenses – Material Weakness

The City understated their prepaid insurance and associated expenses at September 30, 2023.

GASB 87 and GASB 96 – Material Weakness

The City has not maintained an up-to-date, complete and accurate list of leases and SBITAs with current contracts terms.

Liability Accounts – Significant Deficiency

The City is currently using liability accounts to track fees and reimbursements received and held for future spending rather than recording the revenue. This resulted in an understatement in general fund revenue.

Property Tax Revenue Allocation – Significant Deficiency

The City's tax revenue was not allocated properly between the general fund and the debt fund for the proportionate share of those amounts.

Quarterly Court Fines – Significant Deficiency

During our initial testing, we noted that the City posted quarterly state court fine expenses to the court fine revenue account balance rather than as an expense. The amount was reclassified by the client on the revised trial balance.

Utility Receivables – Significant Deficiency

The City had utility bill dates in October 2023 that were for September 2023 service dates. These amounts should be recorded as receivables at year-end.

Schedule of Expenditures of Federal Awards (SEFA) – Material Weakness

The Director of Finance, who is responsible for preparing the SEFA, did not prepare and provide a SEFA for audit for FY23. During our audit, we were able to assist the Director of Finance in producing the SEFA after numerous journal entries to the grant fund.

Federal Audit Clearinghouse Submission – Significant Deficiency

As a result of the delayed preparation of the SEFA, the City did not submit a Single Audit reporting package to the FAC by the federally required deadline. Non-compliance with the reporting requirements is a violation of federal grants terms and conditions. The City's continued failure to meet this filing requirement could affect future federal funding.

Federal Reporting Compliance - American Rescue Plan (ARP) – Significant Deficiency

Per review of the SEFA and support documentation for the ARP grant funds expended during the reporting period of April 1, 2022 to March 31, 2023, ABIP noted expenses incurred in that period were not included on the required Project and Expenditure Report.

Federal Reporting – Community Development Block Grant (CDBG) – Significant Deficiency

The City was unable to provide documentation that the Section 3 performance report was submitted to HUD as required.

Federal Special Tests and Provisions – CDBG Wage Rate Requirements – Significant Deficiency

The City was unable to provide documentation that a provision for compliance with DOL Wage Rate Requirements was included in the CDBG construction contract. This includes a requirement for the contractor or subcontractor to submit to the nonfederal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls). The City was unable to provide documentation that certified payrolls were submitted as required.

Grant Agreement Compliance – CDBG Reporting – Significant Deficiency

The City submitted an ACF on December 15, 2023 and a revised ACF on May 15, 2024. Both certifications contained errors that were corrected with audit adjustments. In addition, the City is required to submit monthly activity reports to the GLO. The City was not able to provide documentation that all 12 reports were submitted as required. In addition, because of the audit adjustments, some of the monthly reports if submitted would have been incorrect.

Grant Agreement Compliance – CDBG Environmental Review – Significant Deficiency

The City was unable to provide documentation that the required environmental review was completed and certified.

Motion: Mayor Pro-Tem Long made a motion on the acceptance of the City of Ingleside Annual Financial Report for the Year Ended September 30, 2023. Council Member Diehl seconded the motion. Motion carried with all present voting in favor.

7. **Discuss and take appropriate action to purchase Lexipol Services to provide the Ingleside Police Department with an agency policy manual, policy updates, policy**

archival., Standard Operating Procedures (SOP) and help with accreditation for an initial cost of \$51,446.00.

Discussion was held between Council Members, City Manager Lewis, and Chief of Police Molina about Lexipol Services bringing professionalism to the department, state laws changing therefore policies and procedures are outdated, accreditation being good for four years, will take four months to complete after contract signing, the services being specifically designed for our city, old policies and procedures will be archived in the system, and Lexipol Services being good for the City in case of a lawsuit.

Motion: Council Member Diehl made a motion to approve the purchase, not to exceed \$45,000.00, of Lexipol Services to provide the Ingleside Police Department with an agency policy manual, policy updates, policy archival., Standard Operating Procedures (SOP) and help with accreditation. Council Member Wilson seconded the motion. Motion carried with all present voting in favor.

8. Deliberate and take appropriate action the first and only reading of an Ordinance amending the fiscal year 2023-2024 budget for the City of Ingleside, Texas, for the City Council and Police Department operating budgets.

Proposed Ordinance 2024-18.

Discussion was held between Council Members and City Manager Lewis about making the amendments to the proposed ordinance to reflect \$45,000.00.

Motion: Council Member Diehl made a motion to adopt Ordinance 2024-18, with the amendments discussed, of an Ordinance amending the fiscal year 2023-2024 budget for the City of Ingleside, Texas, for the City Council and Police Department operating budgets. Council Member Wilson seconded the motion. Motion carried with all present voting in favor.

9. Deliberate and take appropriate action to accept the 2024 total appraised, assessed, and taxable values of all and new property in the City of Ingleside as certified by the San Patricio County Appraisal District.

Discussion was held between Council Members and City Manager Lewis about not receiving the amendments to the appraisals and requesting to table the item.

Motion: Council Member Diehl made a motion to TABLE the action to accept the 2024 total appraised, assessed, and taxable values of all and new property in the City of Ingleside as certified by the San Patricio County Appraisal District. Council Member Wilson seconded the motion. Motion carried with all present voting in favor.

Mayor Adame convened into recess for a short break.
Mayor Adame reconvened the meeting back to order.

Mayor Adame requested to withdraw Items 13, 14, 15, 16, 17, and 18 from the Agenda. There were no objections by Council, and Mayor Adame stated that the items were withdrawn.

Budget Workshop Agenda

12. Strategic planning discussion on Council ideas for the future.

Discussion was held between Council Members and City Manager Lewis having a good budget at the beginning of the Fiscal Year; having a balance sheet; tasking the City Manager to execute the approved budget and the Council monitoring the budget; staff should split up the pay and adjusted cost of living plus performance; the fund balance as nothing more than the operating liquid balance; unincumbered cash, leverage four years and have a structured repayment plan; infrastructure; lift stations; what do the Council and staff want Ingleside to look like in five years; downtown businesses to look better; and the wants vs. the needs of the departments. The discussion continued with the top three items needing to be completed: infrastructure, parks, and facilities; the quality of life for the community; and wanting to see a list of active projects and completed projects.

13. Infrastructure Services Budget Presentation.

Item 13 was withdrawn from the Agenda.

14. Police Department and Animal Control Budget Presentation.

Item 14 was withdrawn from the Agenda.

15. Information Technology Budget Presentation.

Item 15 was withdrawn from the Agenda.

16. Library Budget Presentation.

Item 16 was withdrawn from the Agenda.

17. Ingleside Volunteer Fire Department Budget Presentation.

Item 17 was withdrawn from the Agenda.

18. Hear and deliberate on presentation of proposed Fiscal Year 2024-2025 Budget.

Item 18 was withdrawn from the Agenda.

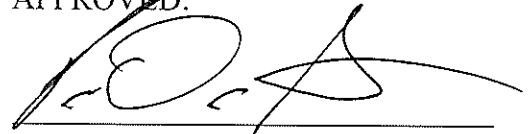
19. Items to consider for placement on future agendas.

Council Member Diehl requested for a 45-day follow-up on grant status report; Report to Council of action taken to correct deficiencies identified in financial report; All Departments will present budget presentation at next Workshop on 08/10/2024.

20. Adjourn Regular Meeting.

Mayor Adame adjourned the Special City Council Meeting & Budget Workshop Meeting of the City of Ingleside at 11:47 a.m.

APPROVED:



Pedro Oscar Adame, Mayor

ATTEST:



Ruby Beaven, City Secretary

