

City of Harrington
MINUTES
City Council Workshop
December 3, 2012

A workshop with the Harrington City Council was held on December 3, 2012 and was attended by the following: Mayor Robert E. Price, Jr.; Vice Mayor Cheryl Lahman; Council Member Duane E. Bivans; Council Member Fonda Coleman; Council Member Wayne Porter; Council Member Kenneth Stubbs; William Pepper, City Solicitor; Teresa Tieman, City Manager; and Kelly Blanchies, Clerk of Council.

Also present: Mike Easton, Horty & Horty; Doug Phillips, Horty & Horty; Cubbage Brown; and Denise Abbott.

Council Member Amy Minner was absent.

Mayor Price called the meeting to order at 6:03 p.m.

The Pledge of Allegiance was given.

Messick's Manufactured Housing Community update from Cubbage Brown

Cubbage Brown introduced Denise Abbott who works for Messick's Manufactured Housing Community. Mr. Brown stated that the sales lot is closed and the real estate is for sale. Test results were received late today indicating that the e. coli is down. The contaminated water is being addressed. The water system upgrade is still an issue to be finished; there are no funds available right now to fix it.

Council Member Porter stated that his main concern was that the contract between Messick's Manufactured Housing Community and the City of Harrington indicates that when Ron Messick is no longer the principal stockholder, then the water system must be brought into compliance with the City standards. Mr. Brown stated that the intention is to keep the mobile home park, and the water system needs to be updated, but the timing is an issue because of finances. The City Solicitor stated that the death of Ron Messick two years ago triggered the requirements for the improvements, and there is a three year statute of limitations.

Council Member Porter asked if the repairs are begun then the requirements are met. The City Solicitor replied yes but they would have to be completed in sixty days. Mr. Brown stated that they are not in a position to start the work; the project is going to be between \$400,000 and \$500,000.

The City Manager asked if Mr. Brown would be willing to amend the contract to state that once the other property is sold and the funds are available, the project will begin. Mr. Brown stated that he would consider it and that would be helpful. Mayor Price asked what assets are to be sold. Mr. Brown stated the real estate where the sales lot was, and there is money owed on other properties that were sold.

Mayor Price asked what the acreage of the mobile home park is. Ms. Abbott replied 13 acres.

Council Member Porter stated that the contract should be amended. Mr. Brown stated that he will think through it and see what direction the park is going in. The intent when the contract was written was to ensure that the water system upgrades were completed in the future, and it was expected to happen long before now.

Council Member Porter asked for the City Solicitor's recommendation. The City Solicitor stated the City Council can extend the deadline, but whatever the expense is now, it will continue to increase. If it is not completed, then the City will have to do it; it was agreed that Messick's would make the improvements, and the City should have some security for that promise.

Vice Mayor Lahman stated that the contaminated water bothers her more than anything. Ms. Abbott stated that the latest report from the State and Envirocorp both stated that e. coli was absent in the sample. Vice Mayor Lahman stated that the residents of the mobile home park are citizens of Harrington.

Council Member Porter stated that he would like to recommend that the City Solicitor and Mr. Brown meet and report to the City Council at the January 22, 2013 City Council Meeting.

Ms. Abbott stated that the salt system has been shut down per the State and chlorination has been done three times. Council Member Stubbs asked if they know what the problem is. Ms. Abbott replied no.

The City Solicitor left the meeting.

Budget & Finance Committee

Review of draft FY 2011 audit

Mike Easton stated that there are four documents included in the audit. The first is the audited financial statements. It includes the financial section, basic financial statements, required supplementary information, supplementary information, and single audit section. The Single Audit is a

result of Federal monies awarded and spent during the fiscal year. Mr. Easton briefly reviewed each section.

Council Member Porter asked if the assets include properties and buildings. Mr. Easton replied yes. Council Member Porter asked if owning unusable properties hindered the City in any way. Doug Phillips replied only if it cannot be sold, but it is not a bad thing. Mr. Easton stated that the large increase in assets is due mostly to the force main.

Council Member Porter asked if there are things in place to take care of debt service. The City Manager replied that it is budgeted.

Mr. Easton stated that one of the questions in the past has been what the carry over amount is. For FY 2011 it is \$590,068 for the general fund and \$37,134 in special revenue funds (things like grants). Council Member Porter asked if that money is budgeted. The City Manager stated that the fund balance is not budgeted only revenue and expenditures. Council Member Porter asked where the carry over balance is shown. The City Manager stated that we did not know what it was until tonight. It would be cash in the bank account. Mr. Easton stated that there was a carry over in 2009 of roughly \$500,000, in 2010 of \$600,000, and in 2011 of almost \$600,000, so there is a cumulative carry over of roughly \$1.7 million and roughly \$300,000 in contingency cd's for a total of roughly \$2 million in cash. Vice Mayor Lahman asked if that includes the escrow accounts. Mr. Easton stated that amount is cash and the escrow accounts are not related to the general fund. The City Manager stated that fund balance comes from spending less than what is estimated and from bringing in more revenue than anticipated. The City Council can make decisions about what to do with that money; it can be invested or infrastructure projects can be completed. Mayor Price stated that the City Council is always careful about that money until there is a reconciled balance. Council Member Porter stated that the carry over amounts should be put toward debt service or projects. The City Manager stated that the carry over will not appear in a budget report, because it is not budgeted.

Mr. Easton stated that there were two events in 2011 that were positive to the City. The first was a roughly \$390,000 insurance settlement, and the second was \$225,000 of confiscated drug money.

Mr. Easton continued reviewing the audit documents.

Mayor Price stated that the propriety funds have gotten much clearer.

Mr. Easton stated that the City met the requirements for the single audit based on Federal monies received in excess \$500,000. The major

deficiency is meeting the deadline to file the audit with the Federal Government within five months of the close of the fiscal year.

Mr. Easton stated that the second document is the management letter. It summarizes things that were noted during the audit. One issue was the way grants are accounted for. The Financial Director should track the spending of restricted funds and not just each department head. Mr. Easton stated that these findings are as of FY 2011 and may have been resolved since then. The City Manager stated that the departments are very good of tracking those restricted funds, but it should also be tracked at City Hall. The City Council should get reports at least quarterly on the special funds.

Mr. Easton stated that some invoices were not processed through the accounts payable module in QuickBooks. Council Member Porter asked who is responsible for accounts payable now. The City Manager stated that the Financial Director is. Council Member Porter stated that he is concerned about the oversight of the checks being written.

Mr. Easton stated that there were some issues with the purchasing cycle and payroll cycle as well. Mayor Price stated that these issues were from another administration and have been corrected or are being addressed. The City Manager stated that internal controls are essential for a public entity to protect the public and employee.

Vice Mayor Lahman asked how a federal grant can be awarded without the Catalog of Federal Domestic Assistance (CFDA) program number. Mr. Easton stated that he has seen documentation that does not always include the number. It should be a standard thing.

Mr. Easton stated that account reconciliation is an area that still needs work. The City Manager stated that we are not where we need to be on that, but it is a goal. Until recently Edmunds and QuickBooks were both being used but not reconciled until the end of the year. As QuickBooks is phased out, the reconciliations should become easier.

Mr. Easton stated that the third document is the management representation letter, which summarizes various inquiries that were made during the audit.

Mr. Easton stated that the fourth document is the Statements on Auditing Standard No. 114 (SAS114). It is used primarily by government agencies. It summarizes accounting practices and responsibilities and audit adjustments. Mayor Price asked if the number of adjustments is going down, because he does not like adjustments. Mr. Easton stated that

overall it is comparable to previous years but that is misleading because the force main project is a large, complicated transaction.

The City Manager stated that if there are any questions after the City Council has reviewed the audit, then they can call her.

Vice Mayor Lahman asked if the Financial Director is still using two accounting systems. The Finance Director stated that they needed this audit for opening balances and will see at the end of the year where they are and should be in a better position to stop using QuickBooks. The City Manager stated that it has gone on for longer than intended, but it makes sense to wait and do it right the first time. Vice Mayor Lahman asked if Edmunds is a program that will allow reconciliation on a monthly basis rather than waiting for the audit. Mr. Easton stated that yes and that is why it is important to have those month end closings and reconciliations. The first step is to take the audit adjustments and enter them into QuickBooks then those ending balances will be the opening balances for FY 2012.

Mayor Price stated that approval of the FY 2011 audit will be on the agenda for the December 17, 2012 City Council Meeting. The City Manager suggested scheduling a workshop to go over any questions that the City Council has on Wednesday, December 12, 2012, at 6:30 pm. Council Member Porter stated that it can be cancelled if it is not needed.

There being no further business, the Council Workshop adjourned at 7:19 p.m.

Respectfully Submitted,

Kelly Blanchies
Clerk of Council