

April 30, 2021

To the Honorable Mayor Andres Ramos,  
Members of City Council, and Management of  
City of Alpine, Texas  
100 North 13<sup>th</sup> Street  
Alpine, Texas 79830

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alpine, Texas, (the City) for the year ended September 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 14, 2020. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Matters

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. As described in Note 1, the City implemented GASB Statement No. 95 which postponed the effective dates of certain provisions in GASB Statements and Implementation Guides. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

1. Management's estimate of the depreciation is based on estimated useful lives of the related assets.
2. Management's estimate of the allowance for uncollectible accounts receivables is based on historical collection rates and management's analysis of the collectability of the accounts.
3. Management's estimate of the allowance for uncollectible taxes is based on historical collection rates and management's analysis of the collectability of the accounts.

4. Management's estimate for the self-insurance liability is based upon pending payments and payments made subsequent to year end but incurred prior to September 30, 2020.
5. Management's estimate of the accumulated compensated absences is based upon eligibility requirements, current salaries, and the number of days accrued.
6. Management's estimate of the landfill closure costs are based upon a) the prior year's total estimated closure costs with application of an inflation factor provided by TCEQ and b) the total tons disposed during the year divided by a compaction rate.
7. Management's estimates for deferred outflows related to the Texas Municipal Retirement System (TMRS), the City's share of net pension asset, and deferred inflows related to TMRS are based upon estimates provided by TMRS.
8. Management's estimates for deferred outflows related to the Texas Emergency Services Retirement System (TESRS), the City's share of net pension liability, and deferred inflows related to TESRS are based upon estimates provided by TESRS.
9. Management's estimates for deferred outflows related to the Texas Municipal Retirement System Other Post-Employment Benefits (OPEB) and the City's share of total OPEB liability are based upon estimates provided by TMRS.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule, Passed Adjustments, summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate to the financial statements taken as a whole. During the audit process, year-end adjustments were recorded as deemed necessary by management and are available for review.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, which could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated April 30, 2021.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the City’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the City’s internal controls in our report dated April 30, 2021. These comments do not affect our report dated April 30, 2021, on the financial statements of the City. As part of our audit, we also review prior year’s comments and provide a status based upon our testing as well as inquiry of management. Please see the attached schedule for the status of prior year comments as well as the current year comments.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, the General - Budget and Actual Statement of Revenues, Expenditures and Changes in Fund Balance, the Texas Municipal Retirement System and Texas Emergency Services Retirement System Pension Schedules, and the Texas Municipal Retirement System Other Post-Employment Benefit Schedules, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining fund financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

City of Alpine, Texas

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supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the members of City Council and management of the City of Alpine, Texas, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Gibson Ruddock Patterson LLC". The signature is fluid and cursive, with the letters "G", "R", and "P" being particularly prominent.

Gibson Ruddock Patterson, LLC

### **Current Year Comments**

#### **Procurement:**

1. **Observation:** In performing our review of the procurement procedures, we noted that the City did not maintain all the required documentation related to the formal solicitation process, specifically, evidence of compliance with advertisement requirements, documenting the date and time the proposals were received, and documenting in the minutes of Council when the City decides to not require the performance and payment bond.

**Recommendation:** We recommend that management ensure that all required documentation is maintained to show evidence of compliance with procurement statutes and that significant decisions, such as not requiring performance and payment bonds, be documented in the minutes of the City Council meetings.

**Management Response:** Management continues to work towards best practices to ensure all necessary documentation is provided for procurements. Discussions with Council concerning bonds will be properly documented.

2. **Observation:** We noted that the City does not have formal written policies related to solicitation and procurement of goods and services that satisfy the requirements presented in Local Government Code, Chapter 252.

**Recommendation:** We recommend the City adopt formal written policies governing solicitation and procurement procedures to ensure compliance with Government Code 252. This should include procedures to ensure that all vendors with which the City is planning to spend \$50,000 or more are properly procured.

**Management Response:** Management agrees and is preparing formal written policies for procurement to be approved by Council in FY21.

#### **Journal Entries:**

3. **Observation:** During our review of journal entries, it was noted that all journal entries are not reviewed and approved by someone other than the individual entering the journal entry. As of November 2019, the City implemented the use of a Journal Entry Request Form evidencing approval by another employee for all entries except routine payroll transfers; however, we continued to note non-routine journal entries after November 2019 that did not have this form attached as support.

**Recommendation:** To strengthen controls, we recommend that each non automated journal entry be reviewed and approved by a separate authorized individual and the appropriate Journal Entry Request Form be attached prior to the journal entry being recorded in the accounting software.

**Management Response:** Journal Entry Request Forms continue to be used.

4. **Observation:** During our review of journal entries, we noted several entries that did not agree with the supporting documentation or were not recorded to the proper accounts.

### **Current Year Comments**

**Recommendation:** We recommend management ensure that the entry includes all components from the supporting documentation and that the account coding is reviewed to ensure the proper accounts are being used.

**Management Response:** Proper supporting documentation and review will be performed prior to correction entry. In addition, reviews will be randomly performed to ensure correct accounts are being utilized.

### **Accounting and General Ledger:**

5. **Observation:** It was noted that the general ledger balance s for accounts receivable and customer deposits in the Gas fund and the Water, Sewer, and Sanitation fund are not being reconciled and adjusted monthly to the totals generated from the billing system. In addition, the credits that are being applied to customers' accounts in the billing system are also not being recorded in the general ledger in a timely manner.

**Recommendation:** To improve the accuracy of the general ledger balances throughout the year, we recommend that any credits applied to customers' accounts be recorded in the general ledger and that the monthly accounts receivable and customer deposit reports from the billing system be generated. Any discrepancies between the balances should be researched and reconciled and any necessary adjustments be posted to the general ledger.

**Management Response:** Management recognizes the recommendation and will work on procedures to account for credits applied to customer accounts.

6. **Observation:** Based on our review of the receivable balances in the Community Development fund and discussions with management, it appears there are several old outstanding resident loans and grants with balances whose current status is unknown.

**Recommendation:** We recommend management perform a detailed review of all outstanding resident loans and grant balances and take the appropriate action to collect any valid receivables or write off any amounts which are deemed uncollectible.

**Management Response:** Management will make recommendations to Council on the status of the Community Development Fund and outstanding balances.

7. **Observation:** In reviewing the Billing Aging reports for the Water, Sewer, and Sanitation fund and the Gas Utility Fund, we noted that there are unapplied credits and a significant number of old receivable balances.

**Recommendation:** We recommend management review the unapplied credits and old balances to determine which accounts the credits apply to and work on collecting the old outstanding balances.

**Management Response:** Management has initiated the collection of old debt with an outside vendor and is working on in house personnel performing reviews of utility accounts.

### **Current Year Comments**

- 8. Observation:** In reviewing the City's bank reconciliations, we noted that there are unreconciled differences that management needs to research for the operating accounts of the General Fund and the Water, Sewer, and Sanitation fund.

**Recommendation:** We recommend management research and make all necessary corrections to properly account for these unreconciled differences. We also recommend that reconciliations be performed on a timely basis and any discrepancies be researched promptly to safeguard the City's funds.

**Management Response:** Management is aware of the unreconciled differences and has reached out to the current software company to determine the best practice to correct these differences. The main issue is the dating of receipts/invoices and how they post in the system.

- 9. Observation:** It appears that the procedures to close and roll forward the fiscal year through the general ledger software are not working properly to allow all the necessary accruals and adjustments to be made.

**Recommendation:** We recommend that management consult with the accounting software company to have them provide direction on how to perform a partial close at year end so management can roll forward the balances to the new fiscal year while still being able to record accruals and adjustments in the partially closed fiscal year.

**Management Response:** Management is in agreement and has been working with current software to determine the best direction for ending and beginning of fiscal years.

### **Cash Disbursements:**

- 10. Observation:** While testing cash disbursements we noted instances where no purchase order had been prepared.

**Recommendation:** We recommend management reiterate to the various departments the importance of following the purchase order process and procedures. In addition, we recommend that the purpose of the purchase also be included on the purchase order in order to help with more accurate coding and accounting.

**Management Response:** Management continues to work with departments by providing training, feedback, and assistance when needed. Management will be changing the purchasing process and procedures over the next two fiscal years.

- 11. Observation:** While testing cash disbursements, we noted instances where there was no evidence of review or approval of the invoices prior to the purchase being processed for payment.

**Recommendation:** To strengthen controls, we recommend management document the review and approval of all invoices that are processed for payment to ensure the appropriate amounts are paid and no duplicate payments are made.

### **Current Year Comments**

**Management Response:** Management continues to work with departments by providing training, feedback, and assistance when needed. Management will be changing the purchasing process and procedures over the next two fiscal years.

### **Capital Assets:**

- 12. Observation:** The accounting principles for an enterprise fund are similar to those followed by a business. One principle that is different from governmental fund principles is the treatment of the purchase of capital assets. For enterprise funds, capital assets are recorded as assets instead of expenditures. However, we noted that capital assets for the enterprise funds of the City (Water, Sewer and, Sanitation fund, the Gas Utility fund, and the Airport fund) are being recorded as expenses and depreciation expense was not being recorded during the year.

**Recommendation:** We recommend management record capital assets in the appropriate asset account in the general ledger verses an expense account and record the related depreciation expense on a monthly basis.

**Management Response:** Management acknowledges the recommendation and will work to properly record enterprise fund capital assets.

- 13. Observation:** While performing our review of capital assets, we noted that not all the assets purchased during the year were added to the capital asset listing in a timely manner, and some of the assets added did not always include or exclude the appropriate ancillary charges.

**Recommendation:** We recommend management add capital asset purchases to the capital asset system in a timely manner so that the listing is properly maintained throughout the year and reflects all assets owned by the City. In addition, we recommend that management ensure the cost used for the capital asset listing is accurate.

**Management Response:** Management acknowledges the recommendation and will work towards procedures to include timely entry of assets.

### **Water, Sewer and Sanitation Billing:**

- 14. Observation:** We noted 4 commercial customers who were charged the minimum residential rate for a water meter (\$6.00) rather than the minimum commercial rate for a water meter (\$7.00) as reflected on the City of Alpine website.

**Recommendation:** We recommend that the City ensure the public website properly reflects the current rates for transparency purposes.

**Management Response:** Management is in the process of updating the utility ordinance and in the process will include updates to the City's website. In addition, utility accounts are being reviewed by in house personnel to ensure correct rates are being charged.

- 15. Observation:** We noted the following items in our review of the Water, Sewer, and Sanitation billings:



### **Current Year Comments**

- a. A total of two commercial customers were charged the incorrect sewer rate for FY 20 due to the incorrect months being used to calculate their AWC.
- b. A total of seven residential customers were incorrectly charged a pro-rated sewer rate for their first month's billing rather than the flat rate.

**Recommendation:** We recommend that the billing department perform reviews of customers to ensure they are set up properly and that the customer's billing rates are appropriate and updated properly.

**Management Response:** Management acknowledges the recommendation. Utility accounts are currently being reviewed by in house personnel to ensure correct rates are being charged.

### **Gas Billings:**

- 16. Observation:** We noted that although the gas billing rate based on the contract with WTG was approved on May 19, 2020, the customers were not billed the adjusted rate until the August consumption billing.

**Recommendation:** City Ordinance Sec. 98-331(a) states, "Billing will be adjusted monthly according to the spot market billing from WTG (West Texas Gas, Inc.)," we recommend a policy be adopted to specify when the adjusted billing rates will be passed along to the customer, i.e., within 30 days of the rate adjustment, etc.

**Management Response:** Management will review recommendation and discuss changes with updated ordinance.

### **Investment Compliance:**

- 17. Observation:** During our review of compliance with the Public Funds Investment Act (PFIA), we were unable to determine if the 4<sup>th</sup> quarter report was included in the council packet and in addition, the minutes for the Council meetings did not always specify that the quarterly investment reports were presented. We also noted that the investment policy was approved July 2020 for fiscal year ending September 30, 2020.

**Recommendation:** We recommend that Council review and approve the investment policy at the beginning of each fiscal year and that the Council packet and minutes of the meetings clearly identify the presentation and review of the quarterly investment reports.

**Management Response:** The City's investment policy is reviewed typically during the budget preparation time period. Management will suggest reviewing at the beginning of the fiscal year.

### **Accrued Liabilities:**

- 18. Observation:** In performing our search for unrecorded liabilities, we noted several invoices that were for services prior to September 30, 2020 that should have been accrued.

### **Current Year Comments**

**Recommendation:** We recommend that management consult with the software company in order to receive assistance on how to perform a partial close at year end so all necessary accruals can be made either automatically or through journal entries.

**Management Response:** Management is working with current software company to determine best practice for year-end closing and accounting of accruals.

### **Inventory:**

- 19. Observation:** A complete count of the supply inventory for the Water, Sewer, and Sanitation fund was not performed in September 2020, which is necessary to properly adjust the inventory balances and related expense.

**Recommendation:** We recommend that a complete count of all inventory items be performed annually for all funds with inventory on hand in order to maintain accurate counts and to adjust the general ledger inventory and expense to the proper balances.

**Management Response:** Management agrees and will have the inventories complete and balances adjusted by July 31, 2021.

### **Grant Reconciliations and Requests:**

- 20. Observation:** While performing our review of grant reconciliations, we noted that the general ledger is not being reconciled to the grant reports on a monthly basis which would allow for the timely filing of requests for reimbursement.

**Recommendation:** We recommend management maintain reconciliations throughout the year for each grant which details the expenditures that are requested for reimbursement from the grantor and reconciles to what is recorded on the general ledger for that grant in order to help complete requests for reimbursement and receive payment in a timely manner.

**Management Response:** Management recognizes the recommendation and will implement procedures to ensure grants are reconciled.

### **Status of Prior Year Comments**

#### **Procurement:**

1. **Recommendation:** In performing our review of procurement compliance, we noted the following.  
A) There was a vendor where the City spent over \$50,000 related to sewer work and repairs. According to management this was an emergency purchase and thus a formal solicitation process was not used; however, there was no written documentation noting that it was an emergency purchase. B) There was another vendor where the City spent over \$50,000 related to water services. This purchase was necessary in order to prevent interruption of services to the residents. This item was not obtained through a formal solicitation process, and there was no documentation noting that it was an exempt purchase. C) For a third vendor, it appears that the City did utilize a formal solicitation process for the services needed but did not maintain all the documentation such as advertisements, the date proposals were received, etc. We recommended that emergency purchases or exempt purchases be documented on the purchase order or through a memo and that they be specifically approved by Council and noted in the minutes. In addition, we recommended that all required documentation be maintained as in accordance with regulations for any good or services that are procured.

**Status:** During our current year testwork, we noted that the purchase requisitions did have notations when a purchase was an emergency; however, we recommended it also include an explanation as to why the purchase is an emergency and the normal procurement process is not feasible.

2. **Recommendation:** We noted that the City did not have formal written policies related to solicitation and procurement of goods and services that satisfy the requirements presented in Local Government Code, Chapter 252. We recommended the City adopt formal written policies governing solicitation and procurement procedures to ensure compliance with Government Code Chapter 252 and to ensure that all vendors with which the City is planning to spend \$50,000 or more are properly procured.

**Status:** This situation still exists. See current year comment.

#### **Journal Entries:**

3. **Recommendation:** During our review of journal entries, it was noted that not all journal entries were approved by someone other than the individual entering the journal entry. To strengthen controls, we recommended that each non-automated journal entry be reviewed and approved by a separate authorized individual prior to the journal entry being recorded in the accounting software.

**Status:** This situation still exists. See current year comment.

#### **Accounting and General Ledger:**

4. **Recommendation:** It was noted that the accounts receivable and customer deposits general ledger balances for the Gas fund and Water, Sewer, and Sanitation fund were not being reconciled and adjusted monthly to the balances generated from the billing system. To improve the accuracy of the general ledger balances, we recommended that the monthly accounts receivable and customer

**Status of Prior Year Comments**

deposit reports from the billing system be generated and any discrepancies be researched and reconciled and any necessary adjustments be posted to the general ledger.

**Status:** This situation still exists. See current year comment.

5. **Recommendation:** Based on our review of the receivable balances in the Community Development fund and discussions with management, it appeared that there were several old outstanding resident loans and grants with balances whose status was unknown. We recommended management perform a detailed review of all outstanding resident loans and grant balances and take the appropriate action to collect any valid receivables or write-off any amounts which are deemed uncollectible.

**Status:** This situation still exists. See current year comment.

6. **Recommendation:** A separate fund is maintained for the City's self-insurance activity. All transactions associated with the premiums, claim payments, and administrative expense are recorded in this fund. However, we noted the activity was not being recorded in the proper level of detail or appropriate accounts. In order to ensure a sufficient reserve exists for self-insurance obligations, we recommended that management properly record the self-insurance activity in the appropriate revenue and expenditure accounts. This would provide the information to help management determine whether an appropriate rate is being charged to each fund/department for the employees assigned to those areas and help ensure there are sufficient reserves to meet the related obligations.

**Status:** The City adopted a new plan and will be closing this fund once all the incurred claims and expenses have been paid. Effective October 1, 2020, the City moved to fully insured health coverage with Blue Cross Blue Shield and no longer maintained a self-insurance plan.

7. **Recommendation:** In reviewing the Water, Sewer, and Sanitation and the Gas Utility Billing Aging reports, we noted that there were unapplied credits and a significant number of old receivable balances. We recommended management review the unapplied credits and old balances to determine which accounts the credits apply to and work on collecting the old outstanding balances.

**Status:** This situation still exists. See current year comment.

8. **Recommendation:** In reviewing the City's bank reconciliations, we noted that there were unreconciled differences for the operating accounts for the General Fund and the Water, Sewer and Sanitation fund. We recommended management research and make all necessary corrections to properly account for these unreconciled differences. We also recommended that reconciliations be performed on a timely basis and any discrepancies be researched promptly to safeguard the City's funds.

**Status:** This situation still exists. See current year comment.

### **Status of Prior Year Comments**

#### **Cash Disbursements:**

- 9. Recommendation:** While testing nonpayroll disbursements we noted a couple of instances where there was no purchase order prepared, and we also noted several purchase orders that were completed or approved after the invoice was received. In addition, we noted that the purpose of the purchase was not always noted on the purchase order. We recommended management provide training to the various departments on the purchase order process and be more diligent about following purchase order procedures. We also recommended that the City establish formal written detailed policies and procedures related to the purchasing of goods and services. These policies and procedures should include a description of the types of supporting documentation that is required for purchases and which purchases require purchase orders, along with the necessary approvals. For items not requiring a purchase order, the written policies and procedures should include what documentation is required. In addition, we recommended the purpose of the purchase also be included on the purchase order in order to help with more accurate coding and accounting.

**Status:** Management did adopt purchasing policies, and there was improvement in this area. However, there were still items that did not have purchase orders. See current year comment.

- 10. Recommendation:** While testing nonpayroll disbursements, we noted instances where there was no evidence of review or approval of the invoices prior to processing for payment. To strengthen controls, we recommended management document the review and approval of all invoices that are processed for payment to ensure the appropriate amounts are paid and no duplicate payments are made. In addition, we recommended the procedures implemented are clearly documented in the policy manual and adhered to by all employees.

**Status:** This situation still exists. See current year comment.

#### **Capital Assets:**

- 11. Recommendation:** The accounting principles for an enterprise fund are similar to those followed by a business. One principle that is different from governmental fund principles is the treatment of the purchase of capital assets. For enterprise funds, capital assets are recorded as assets instead of expenditures. However, we noted that capital assets for the enterprise funds of the City (Water, Sewer fund, Sanitation and the Gas Utility fund, and the Airport fund) were being recorded as expenses and depreciation expense was not being recorded during the year. We recommended management record capital assets in the appropriate asset account and record the related depreciation expense on a monthly basis.

**Status:** This situation still exists. See current year comment.

- 12. Recommendation:** While performing our review of capital assets, we noted that not all the assets purchased were being added to the capital asset listing in a timely manner and some of the assets added did not always include or exclude the appropriate ancillary charges. We recommended management add capital assets purchases to the capital asset system in a timely manner so that the listing is properly maintained throughout the year and reflects all assets owned by the City. In addition, we recommended that management ensure the cost used for the capital asset listing is accurate.

### **Status of Prior Year Comments**

**Status:** This situation still exists. See current year comment.

### **Water, Sewer, and Sanitation Billing:**

- 13. Recommendation:** We noted 4 commercial customers who were charged the minimum residential rate for a water meter (\$6.00) rather than the minimum commercial rate for a water meter (\$7.00) as reflected on the City of Alpine website. We recommended that the City ensure the public website properly reflects the current rates for transparency purposes.

**Status:** This situation still exists. See current year comment.

- 14. Recommendation:** We noted one instance of a residential customer who was not charged for sewer, garbage, or the sales tax related to garbage because the account was initially set up incorrectly in the system. We recommended that the billing department perform reviews of customers to ensure they are set up properly and that the billings are correct and the customer's billing rates are appropriate for the customer type.

**Status:** During our current year testwork we did not have any of the same instances, but there were other types of billing discrepancies noted. See current year comment.

- 15. Recommendation:** We noted one instance of a residential customer who was charged incorrectly as a commercial customer for sewer services. We recommended that on an ongoing basis, the billing department perform reviews of customers to ensure billings are correct and the customer's billing rates are appropriate for the customer type.

**Status:** During our current year testwork we did not have any of the same instances, but there were other types of billing discrepancies noted. See current year comment.

### **Gas Billings:**

- 16. Recommendation:** We noted one instance of a commercial customer who was billed the incorrect rate for their consumption exceeding 501 units for the month of August 2019. This error occurred due to the fact that there was a new employee, and the rate did not get updated properly in the system for consumption over 500 units. Management reviewed all other commercial accounts for the month of August and there were no additional accounts billed incorrectly in this area. We recommended management implement a monitoring procedure to ensure that gas billing rates are properly changed in the system as the rates are updated for the service types and usage levels.

**Status:** No similar instances were noted during our current year testwork.

- 17. Recommendation:** We noted that although the gas billing rate based on the contract with WTG was approved on June 4, 2019, the customers were not billed the adjusted rate until the August consumption billing. The City Ordinance Sec. 98-331(a) states, "Billing will be adjusted monthly according to the spot market billing from WTG (West Texas Gas, Inc.)," we recommended the ordinance specify when the adjusted billing rates will be passed along to the customer, i.e., within 30 days of the rate adjustment, etc.

### **Status of Prior Year Comments**

**Status:** This situation still exists. See current year comment.

### **Investment Compliance:**

**18. Recommendation:** During our review of compliance with the Public Funds Investment Act (PFIA), we noted that a list of the investment companies or brokers was not approved by City Council. We also noted that not all of the investment reports were submitted to City Council on a quarterly basis. We recommended that a list of authorized companies or brokers be approved by City Council on an annual basis to ensure compliance with the Public Funds Investment Act Section 2256.025. In addition, the investment reports should be presented to City Council at least quarterly to be in compliance with the PFIA.

**Status:** A list of brokers was approved by Council during the year, and quarterly reports were presented to Council. We did note a couple of new recommendations. See current year comment.

### **Accumulated Sick Leave and Compensatory Time Policy:**

**19. Recommendation:** In reviewing various payroll transactions and the policy for accumulated sick leave and compensatory time, we noted that an exempt employee was paid for the accumulated compensatory time upon departure from the City and another employee was paid for their accumulated sick leave upon departure. Based upon the policy it does not appear to allow for sick leave and compensatory time for exempt employees to be paid out upon departure. It appears that both items were approved by the acting City Manager at the time and/or a Council Member. We recommended that policies and procedures clearly state which employees are eligible to receive payment for accumulated leave upon departure and what type of leave is allowed to be paid upon departure. In addition, we recommended controls be put in place to ensure the policies are adhered to.

**Status:** No similar instances were noted during our current year testwork.

### **Airport:**

**20. Recommendation:** We noted that the Fuel Sales Reports were not being reconciled to the general ledger on a monthly basis to account for the cash received net of the merchant fee that is being charged. We recommended that the fuel sales system reports be reconciled to the payments received net of the merchant fees and be recorded in the general ledger to ensure all transactions are being accounted for

**Status:** The net revenue recorded in the general ledger as of September 30, 2020 reconciled to the fuel sales report once the merchant fee was taken into consideration.

### **Inventory:**

**21. Recommendation:** A complete count of the supply inventory for the Water, Sewer, and Sanitation fund was not performed in September 2019 in order to properly adjust the inventory balances and expense. We recommended that a complete count of all inventory items be performed annually for

**Status of Prior Year Comments**

all funds with inventory on hand in order to maintain accurate counts and to adjust the general ledger inventory and expense to the proper balances.

**Status:** This situation still exists. See current year comment.

**Grant Compliance**

**22. Recommendation:** While conducting our review of the City's Grant Policies and Procedures for compliance with 2 CFR 200, we noted that the City's policies and procedures do not include all of the key components that are required in order to be in compliance. We recommended the City update the current manual of policies and procedures to include all the required components under 2 CFR 200.

**Status:** A Single Audit was not required for fiscal year ending September 30, 2020; however, management has indicated that they are work with legal to get all the required elements documented in the Grant Policies and Procedures manual.

**Cash Receipts:**

**23. Recommendation:** We noted several instances where the cash received was deposited into the wrong bank account. Management was aware of these instances, but the money was not transferred before September 30, 2019. We recommended management implement procedures to help ensure receipts are deposited into the correct bank accounts, and we also recommend that transfers be made as quickly as possible if errors are noted

**Status:** No similar instances were noted during our current year testwork.

**24. Recommendation:** We noted two instances where the support attached to the receipt did not include information, such as a fee schedule, to support the amounts charged to the customer for services provided by the City. We recommended that management properly document the fees charged to customers for services such as permits or abandoned vehicle fees to ensure the fees charged follow an approved fee schedule published by the City.

**Status:** No similar instances were noted during our current year testwork.



Opinion Unit

Description	Governmental Activities				Business-Type Activities				General Fund				Aggregate Remaining Funds				Water, Sewer, Sanitation Fund				Gas Fund			
	Statement of Net Position		Statement of Activities		Statement of Net Position		Statement of Activities		Balance Sheet		Statement of Revenues, Expenditures and Changes in Fund Balance		Balance Sheet		Statement of Revenues, Expenditures and Changes in Fund Balance		Statement of Net Position		Statement of Revenues, Expenses and Changes in Fund Net		Statement of Net Position		Statement of Revenues, Expenses and Changes in Fund Net Position	
	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
1 Salary Expense Grant Receivable Accrued Wages  To record accrued wages related to the HIDTA grant.		4,779	2,467	2,312										4,779	2,467	2,312								
2 Fund Balance / Net Position Salaries  To record prior period adjustment for salary adjustments for FY 2019 paid in FY 2020.	15,674			15,674	9,106			9,106	15,674			15,674					6,316			6,316	2,791			2,791
3 Misc. Revenue Fund Balance  To record prior period adjustment for cash related to the crime stoppers that was received in a prior year and determined to belong to the City.		2,999	2,999							2,999	2,999													
4 Prepaid Expense Professional and Technical Services  To reclassify payment for 2021 services to prepaid.	2,610			2,610									2,610			2,610								