

Council Priorities for City Manager

(Per email dated 11/17/2025)

1. Audits completed and up to date.

FYE 2019 Pending
FYE 2020 Pending
FYE 2024 Waiting on auditor
FYE 2025 Waiting on auditor to finish 2024

2. Secure permits for water wells.

KPA has begun working through the process to help the City obtain the permits through TCEQ. Staff will move forward with water well #1, once received.

3. Schedule road work according to road study. Keep on track with available finances.

Funding has been set aside in the budget for year 2 of the Roadway Improvement Plan. When the auditor begins work on FYE 2025, staff will send out the RFP with intentions to award it (via Council) in the summer with the work to begin in the fall.

4. Playscape at Ansay park and nature trail at Smith park.

Ansay Park: The playscape and related work is in plan development and cost estimates with KPA. Once received, staff will order the playscape and facilitate the necessary ADA improvements.

Smith Park: The USACE provided guidance on what needs to be done in order to gain favorable consideration for approval. Once staff has completed the list of items, a follow-up request will be made.

5. Marina repairs including coordinating with the Corp on marina office repairs.

Repairs completed

6. Fill all open positions and allow Council input on city secretary

All positions were filled

7. **Finish systems conversions and provide accurate financial information to residents and Council.**

System errors were identified and corrective measures have been underway. Overbilling and underbilling was one aspect that needed to be formally addressed by an ordinance which Council recently passed.

8. **Evaluate a resident fee-based billing system in Fund View.**

Any fee-based billing system beyond what is currently being used should not be considered until the software the City currently has in place is meeting expectations. In my opinion, FundView is not a mature, robust financial software program that can be relied upon. Although that might change in the future.

9. **Understand the \$500,000 accounts receivable in the water fund and develop a plan to resolve it.**

See attached documents that specifically addresses this priority.

10. **Take the Wildfire Mitigation Project from concept to implementation of Phase 1**

The program has been implemented. Perhaps the most notable change to the program since our last update is the use of part-time employees one day a week to specifically address debris removal. Focusing on what is more accessible, debris is collected at a much faster rate. That said, there is an enormous amount of debris remaining, so other measures previously discussed will continue and should remain in place for the next several years.

11. **Take the next steps on the sidewalk project and Temple 317/2483 master plan**

The TxDot sidewalk project is underway, It began at Sobrante Rd., and it appears they are making good progress. Preliminary estimate is that the project will be completed by September and within budget.

As for the 317/2483 master plan, it is my understanding that Council wanted to move forward with its own planned infrastructure/development, avoiding the cost associated being permanently tied to Temple sewer.

12. **Coordinate joint meetings with EDC and P&Z to ensure alignment with Council goals.**

Both meetings were held.

13. **Town Hall for 25-26 BU presentation and Work Plan (when completed)**

To date, no town hall meeting has occurred.

14. **Stay on top of the fire/police combo to ensure limited impact on residents**

PSD personnel continue to broaden their knowledge, skills, and abilities through cross training that has brought about a better, well-trained department. My office has received positive feedback regarding the Public Safety Department from both employees and residents alike.

Council Priority: Understand the \$500,000 accounts receivable in the water fund and develop a plan to resolve it.

Based upon previously completed audits, former employees' financial notes and comments, and input from others, it appears this issue began to surface around fiscal year 2018 and continue through FYE 2020. What we know is that the FYE 2018 audit shows accounts receivable in the Water and Sewer Fund at \$225,257, just \$18,891 increase from FYE 2017. However, the FYE 2021 audit shows the amount increased to \$531,418, of this amount \$19,055 is related to Sewer. As previously reported to Council, significant variances from the norms established prior to and after this same period appears to exist. Beyond accounts receivable, this same fund and the Marina fund experienced significant drawdowns in unrestricted cash in 2018 (see Attachment A).

Compounding this issue is that in 2019, staff financial notes (see Attachment B) appear to indicate that for the fiscal year 2018 a large amount was subject to "...monthly writeoff/adjustments being done to force close each month..." The "force close" reference was likely referring to a monthly hard close, that in and of itself is not cause for alarm if they were done properly. However, if large amounts were written-off and/or adjustments were made as indicated, it might be a reason to investigate further, especially since I have not located any Council action to approve such activity. Complicating the issue further is that the person performing these write-offs and adjustments for the then city manager was a sibling to a member of the governing body. These choices weaken internal financial controls, have legal and ethical considerations, and can erode taxpayers' trust and confidence regarding how their funds are being managed by public officials. Nevertheless, the FYE 2018 audit was completed toward the end of 2019, so it is reasonable to assume that the referenced monthly closeouts were used in the audit.

Given the above referenced information, I would recommend that when the FYE 2019 audit begins, the independent auditor is provided with a full disclosure as to what occurred, request a retroactive correction and a beginning balance fix, if needed. In all likelihood, the City will receive a material weakness finding for not properly separating the duties within the City's financial internal controls and allowing a relative of the governing body to assist in reconciling the City's financial accounts. Further, I would recommend the City Council establish a formal Council policy strictly prohibiting such activity in the future. That said, the independent auditor's guidance is what Council should follow.

As for the aging accounts receivable, my recommendation is to let the independent auditor and staff work through the aforementioned issues and complete the FYE 2019 and FYE 2020 audits and see where you are and what should be done on behalf of the City. If there is an eventual need to write-off a large amount of funds, my recommendation is that it should be formally approved by the City Council. Finally, I would avoid drawing conclusions on any aspect of this review. At this point, the circumstances warrant an independent audit as to what actually occurred for reporting and financial accountability purposes only, nothing else.

ATTACHMENT - A

Year	Fund/s	Unrestricted Cash	Net Change in Cash	Comments
2015	Water & Sewer	-839,043		Source - FYE 2015 Audit
2016	Water & Sewer	1,531,626	2,370,669	Net increase of \$2,370,669 from the previous year - FYE 2016 Audit
2017	Water & Sewer	1,408,905	-122,721	Net decrease of \$122,721 from the previous year - FYE 2017 Audit
2018	Water & Sewer	420,805	-998,100	Net decrease of \$998,100 from the previous year - FYE 2018 Audit
2019	Water & Sewer	Unknown	Unknown	Unknown
2020	Water & Sewer	Unknown	Unknown	Unknown
2021	Water & Sewer*	1,569,459		Source - FYE 2021 Audit
2022	Water & Sewer*	1,956,156	386,697	Net increase of \$386,697 from the previous year - FYE 2022 Audit
2023	Water & Sewer*	1,948,877	-7,279	Net decrease of \$7,279 from the previous year - FYE 2023 Audit
2024	Water & Sewer*	2,755,090	806,213	Net increase of \$806,213 from the previous year - FYE 2024 Unaudited Statement of Net Position

*Beginning in 2021, auditors separated the Water & Sewer Fund into two funds: Water Fund & Wastewater Fund. This change has been factored in the total amount.

Year	Fund	Unrestricted Cash	Net Change in Cash	Comments
2015	Marina	216,904		Source - FYE 2015 Audit
2016	Marina	352,367	135,463	Net increase of \$135,463 from the previous year - FYE 2016 Audit
2017	Marina	248,126	-104,241	Net decrease of \$104,241 from the previous year - FYE 2017 Audit
2018	Marina	-26,942	-275,068	Net decrease of \$275,068 from the previous year - FYE 2018 Audit
2019	Marina	Unknown	Unknown	Unknown
2020	Marina	Unknown	Unknown	Unknown
2021	Marina	313,257		Source - FYE 2021 Audit
2022	Marina	447,770	134,513	Net increase of \$134,513 from the previous year - FYE 2022 Audit
2023	Marina	586,262	138,492	Net increase of \$138,492 from the previous year - FYE 2023 Audit
2024	Marina	557,193	-29,069	Net decrease of \$29,069 from the previous year - FYE 2024 Unaudited Statement of Net Position

Attachment- B

Page 1 September 2019 BANK RECON NOTES JERI PALMER 12/17/2019

I ONLY PULLED OFF WHAT WOULD RECONCILE THE BANK STATEMENT TO GL FOR SEPT. THERE ARE 2 ADJUSTMENTS ON SEPT TO CLEAR THE STATEMENT BECAUSE I HAD TO PULL TOTALS FOR DEBITS AND CREDITS – AS THE NUMBERS DO NOT MATCH FROM STATEMENT TO GL. NO IDEA WHERE KATRICE IS GETTING THESE NUMBERS. – WORKING ON THIS WITH HER. THERE ARE WAY TOO MANY DEPOSITS AND CC PULLS EACH DAY. TRYING TO GET TO 1 DEPOSIT FOR EACH CATEGORY. NOT AS MUCH COOPERATION AS IS NEEDED, BUT STILL EARLY DAYS YET.

LEFT ALL THE JULY AND AUGUST STUFF THAT WAS HANGING OUT.

KN AND I SPOKE WITH LORIN FROM INCODE ON 12/16/2019-

SHE SAID THEY WOULDN'T FORCE ENTRY CLOSE SUCH A LARGE AMOUNT WITHOUT EXTENSIVE RESEARCH (OPEN AN EXPENSIVE PROJECT) OR MPR COULD DO THE 12 MONTHS WORTH OF LEGWORK. WE KNOW MOST OF THE AMOUNT WAS THE MONTHLY WRITEOFF/ADJUSTMENTS BEING DONE TO FORCE CLOSE EACH MONTH BY DOROTHY. IT IS TOO COSTLY/TIME CONSUMING TO GO BACK AND REHASH ALL THOSE ADJUSTMENTS WHEN THEY ARE ALREADY KNOWN.

AB, KN & I SPOKE WITH LEOINA ON 12.16.19 – MPR WILL CLOSE September TO FINISH THE YEAR. THEN MAKE A PRIOR YEAR END ADJUSTMENT TO CLEAR ALL THE REMAINING OUTSTANDING ITEMS ON GL FOR FY 2018-2019.

THE JULY 2019 BANK REC WAS CLOSED WITH HELP FROM LYDIA AT INCODE. AFTER CLOSING, KN AND I DISCOVERED THAT 'ALL' OF JULY CC&ONLINE PAYMENTS WERE STILL OUTSTANDING. WE STILL DON'T KNOW IF A BACKUP WAS DONE BY THE "IT GUY" OR WHAT, BUT THEY WERE LEFT UNCHECKED. THERE ARE ALSO SOME WEIRD THINGS ARE STILL LEFT OPEN FROM AUGUST TOO, THAT WILL NEED TO BE INCLUDED IN THAT PRIOR YEAR ADJUSTMENT. ALONG WITH OUTSTANDING CHECKS FROM AS FAR BACK AS MAY 2018 THAT WERE NOT CLEARED.

STARTING IN THE NEW FISCAL YEAR – I WILL BE MATCHING THE DEPOSITS AND CC/ONL PAYMENTS TO THE DAILY TRANSACTION HISTORY REPORT TO MAKE SURE "ALL" DEPOSITS ARE ACCOUNTED FOR. CHANGES ARE BEING IMPLEMENTED TO ENSURE THE FRONT OFFICE EMPLOYEES ARE MAKING THE EFFORT TO HELP CUT DOWN ON MISTAKES.

City of Morgan's Point Resort

City Manager Project-based Transition Document

Bank Depository: Request for applications are due May 5, 2025; recommend following the Texas Local Government Code and ensure a Contract is executed. Also, this is an area (including account access authorizations) that the auditors should review annually to ensure the City remains compliant with state law.

ERP Software: In 2023, the City decided to change to new financial software while it was still trying to catch up on audits. To complicate things, the implementation phase was mishandled. That aside, it's not the best I've seen, but FundView has worked through most of the issues the City was experiencing. Something to be mindful of is that the software cannot "drill down" into a budget like Council, staff, and residents would like to see, so it is limited in how much information you can obtain from it. Perhaps this will change in the years ahead. Also, to my knowledge, the City has never used a procurement module, but when the new finance director arrived, she was able to get one up and running through FundView.

Investment Policy & Reporting: The City has not been following PFIA for a long time, but they are getting on track. A policy has been adopted, a committee has been formed, required training has been completed, and the committee has started meeting on a quarterly basis and sending the minutes to Council. The Quarterly Investment Report format has been agreed to and a draft statement-based Q2 is being prepared by staff. Because the City does not have its audits caught up, it will need to use the statement-based reporting until such time fund-based reporting can be achieved and sustained.

Another issue is that after about four separate attempts, the City has yet to find an investment advisor. The current investment portfolio is very basic, so for now it can be managed. The city will likely issue sizeable debt in the near future (after the audits are completed) and having an advisor onboard should significantly help to improve its return on investments. The finance director has been networking and may have some leads for the next RFQ that goes out, so hopefully her efforts will get us one.

One thing I would closely watch is the Pooled and Sweep accounts with Horizon Bank and how the funds are being used. Several years ago (when the City moved its banking to Horizon Bank), the city manager moved most of the TexPool funds (a large amount) to a Sweep account and began to move sizable amounts of money from the Sweep account to the Pooled account. I found very little documentation regarding these transfer, most had no documentation. However, it appears the seed money for the Pooled account was only \$60,000, which would explain a lot of things. Nevertheless, staff eventually began paying bills from the Sweep account, in addition to the Pooled account. This practice remained until the new finance director was hired. To her credit, she stopped the practice, and all revenue and expenses are now only handled from the Pooled account.

FYE 2018 Audit: The audit was eventually completed in late 2019, but it was discovered that some unusual, out of the norm activity occurred. Depending on how things turn out, there might be a restatement needed when addressing the FYE 2019 audit.

FYE 2019 Audit: Pending

FYE 2020 Audit: Pending

FYE 2024 Audit: Waiting on auditor to complete.

FYE 2025 Audit: Waiting on auditor to complete FYE 2024

FYE 2026 Audit: City is in better financial position than in the past several years. I agree with the current Auditors, they should be able to complete this audit within the normal cycle.

Note: Remember single audits, where applicable. Also, TxDot Sidewalk project will likely qualify for one and MPR is the registered "owner."

FY 2025-2026 Budget: There are some things to be aware of for situational awareness such as delaying capital improvements until the audits are done. There are other things the new city manager will need to be aware of, so reviewing the FY 2026 budget letter would be a good idea.

FY 2026-2027 Budget: The finance director finished preliminary work, so it's ready to move the budgetary process to the next level. The department needs and current programs and services are essential for consideration in the upcoming budget, so each department has prepared a PowerPoint presentation outlining its profile, priorities, organizational structure, and challenges. While no city is perfect, I can say each department works well together and are pulling the City in the same direction.

Marina: The Marina dock refloats need to begin, so they can be completed in 2027. Remember, the Marina is under the US Army Corps of Engineers (USACE), so everything you do on Corps land must be approved by them in advance.

The Marina suffered damage in a storm back in the summer of 2024, and while the repairs have been completed, both above and below the water, there are some improvements inside that should be made. It did not appear to be in good shape when I arrived, so anything you can do to dress it up would be an improvement. We are still trying to get FEMA to make one last reimbursement for mold removal, which might help fund any improvements made.

Parks: The parks throughout the City have great potential, unfortunately it will take a significant amount of money to address all the needs. Completing the last two audits will go a long way in opening up outside funding sources. The Parks Master plan is

dated by about 10 years, so it will need to be undated. We are moving forward with some improvements to John Ansay park, but even then, funding becomes an issue. Residents of the area expressed displeasure about how long it has taken to make the improvements, but to the Council's credit, things are beginning to move forward.

Council wants to move forward with Smith Park, which is City owned. Unfortunately, much of the plan falls within the purview of the USACE (below the 642 line), so we have a list of things to accomplish first before they will consider allowing us to move forward with it. The CE has provided the list, and staff has it to follow up on. Once finished, a request should be made by the CM for permission to move forward. The CE will provide its approval in writing.

Roger's park is on CE property, and it is considering leasing the park to the City. Right now, they are considering the benchmarks the City will have on the condition of the park upon leasing it. The reason this is important is that some of the roads are in disrepair and I've asked them to use the current condition as the foundation of the agreement and not expect the City to commit funds fixing Corps property. They understood my concerns and are trying to get an answer back to us.

We also have Kleypas park, part of which falls inside the 642-line, and Oakmont park, which is leased from the CEs.

Roadways: Year two of the Roadway Improvement Plan needs to continue; funding was set aside. You might consider sending out the RFP when the auditors start the FYE 2025 audit, so you can get the contract awarded through Council and start work no later than the fall.

City Hall: Improvements have been made on the exterior and to the credit of Council and staff it looks much better. The front parking lot still needs to be addressed, however.

Permitting: Mygov is a viable program, and staff would like to move forward with it. The problem is (from my understanding) that FundView has its own permitting software that's not all that popular. I believe Mygov is willing to create a patch with FundView, but that is something FundView needs to agree with. Not sure if the company will, but staff is working on trying to pin everyone down to exactly what they will and will not do and determine the related costs.

Capital Improvement Projects: The City has KPA engineering as its general engineer. A Critical Infrastructure Assessment needs to be done by them to avoid many of the problems the City has experienced in the past. Once completed and prioritization is recommended, the Council can make informed decisions as to what projects should move forward and allocate appropriate funding.

KPA is currently performing a Drainage Basin Analysis & Improvements Plan Study to address some areas of the City experiencing severe flooding. There is significantly more throughout the City that needs to be done, but for now it is an affordable start.

The City needs to move forward with a watermain study, and the plan is to make application with the TDWB for funding. There are anywhere from one to three charged and uncharged waterlines throughout many parts of the City, with limited shutoff valves. This study should help start the process to address the aging waterlines and installing more valves.

The City has moved forward in obtaining two water well permits from TCEQ. Once the permits are secured, the next phase of the project will need to begin. Currently, MPR gets its water (via contract) from the City of Temple. ~17 years remain on the contract.

The City does not have an adequate number of severe weather sirens in the City. Two were recently repaired, but the number of sirens need to increase. Staff has already begun seeking outside funding, but if that falls short, the City will need to fund them. In addition to severe weather, MPR also has a higher threat of wildfires than many communities because of the heavy vegetative debris within and surrounding the city. A program has been implemented but sustaining it through future budgetary cycles is critical in order to mitigate this ongoing threat.

Disaster Response: As with a lot of smaller cities, we have limited resources to respond to major disasters. That said, we have standing contracts that can be activated to address the aftermath of large-scale disasters. Staff is trying to get one last reimbursement from FEMA before going back to Council to undeclare the disaster declaration. It's not a large amount of money, but it would help with any improvements to the inside office area of the Marina.

Communication: In addition to Council meetings, there is a coffee with the Mayor or Council member held at city hall (in the library) the Friday following the regular session. It starts at 8am and ends at 10am. Usually a small number of residents & former Council members attend. The CM usually attends these meetings. They are informative, and it's a chance to clarify what's going on in city government. There is funding set aside to upgrade the City's website, but for now staff has been working with the vendor (Civic Plus) to get as much done to improve it at the lowest possible cost. Several improvements have been made, and I consider it a work in progress. After the improvements are made, we plan to reexamine the actual need for any additional upgrades along with the cost.

Annexations: Currently there are two pending annexations under consideration by Council. The owners of one is still evaluating a draft Development Agreement (DA), while the other has been submitted to Council for consideration. Unlike larger cities who have the necessary resources to properly monitor DA milestones, smaller cities have limited ability and can easily be taken advantage of by passing along substandard performance and/or materials at the expense of the City. Not saying this is the case

with the two above annexations under consideration, but it is something I would remain mindful of moving forward.

Emergency Management: TDEM and SAM.gov sites need to be updated with current personnel (name, position, contact information, etc.). Also, there is new back-up diesel generator going in at the Public Safety Center that should be in place within the next four months.



Water Fund

Accounts Receivable Review

May 27, 2025

Working Draft

Reported Accounts Receivable (FY2015 – FY2022)

Working Draft

Audit Yr.	Acct. Rec.	Difference	\$ Mean	W/S Cash Flows	\$ Difference	AR % o/CF	Total Gallons Used	Difference
FY22	\$530,808	\$18,445 (+3.60%)	\$18,445	2022 \$2,398,216	\$222,400	22.13%	208,221,410	15,872,559
FY21	\$512,363		\$18,891	2021 \$2,175,816	\$27,249	23.54%	192,348,851	15,106,200
FY20	\$ NA	\$?	\$23,477	2020 \$2,148,567*	\$532,966	?	177,242,651	-2,848,264
FY19	\$ NA	\$?	\$20,205	2019 \$1,615,601*	-\$236,361		180,090,915	19,007,725
FY18	\$225,257	\$?	\$20,254	2018 \$1,851,962	\$42,072	12.16%	161,083,190	-11,001,145
FY17	\$206,366		\$18,891 (9.15%)		2017 \$1,809,890	\$203,239	11.40%	172,084,335
FY16	\$182,889	\$20,205 (+12.42%)		2016 \$1,606,651	-\$198,695	11.38%	159,657,513	12,328,653
FY15	\$162,684				2015 \$1,805,346		9.01%	147,328,860

*Estimates based upon receipts from customers without adjustments (source Incode)