



GLEN SMITH – Mayor  
 JOHNNY TRAN – Councilmember Place 1  
 DONNA HARVEY SCHULMAN – Councilmember Place 2  
 MARY CROCKER – Councilmember Place 3  
 TROY LEWIS – Councilmember Place 4  
 WAYNE DODD – Councilmember Place 5  
 STEPHEN MCGOVERN – Councilmember Place 6

**CITY OF PALACIOS  
 CITY COUNCIL REGULAR MEETING AGENDA  
 October 8, 2019**

Notice is hereby given of a Regular Council Meeting of the Palacios City Council to be held October 8, 2019, beginning at 7:00 p.m. in the Council Chambers of City Hall, 311 Henderson Avenue, Palacios, TX, for the purpose of considering the following items:

**REGULAR COUNCIL MEETING 7:00 PM**

**CALL TO ORDER**

**INVOCATION** – Councilmember Tran

**PLEDGE OF ALLEGIANCE** – Councilmember Dodd

**PLEDGE TO TEXAS FLAG** – Councilmember Dodd

**PLEDGE TO PALACIOS FLAG** – Councilmember Dodd

**VISITOR / CITIZEN FORUM**

**PROCLAMATION** – October 2019 “Domestic Violence Awareness Month”

**ADMINISTRATIVE REPORTS**

1. Update on Downtown Revitalization Project
2. Palacios Regatta is October 19-20, 2019
3. Pedal Palacios is Saturday, October 26, 2019
4. Harvest Moon Dinner and Dance is Saturday, November 2, 2019 at 6pm at the Recreation Center
5. HGAC dinner meeting Thursday, November 7, 2019
6. City of Palacios Fall Clean Up was Saturday, September 28, 2019
7. Chief Miles to present new vehicles for the Palacios Police Department

**ITEMS TO BE CONSIDERED**

1. Discuss and consider action to approve the second reading of ORDINANCE 2019-O-9 amending section A2.04.004 of Appendix “A” Article A2.04 “Impoundment” of the Code of Ordinances of the City of Palacios, Texas to change the charges for the impoundment of

- unlicensed animals; containing a savings clause; repealing inconsistent ordinances; and providing for the effective date thereof.
2. Discuss and consider accepting an Annual Financial Audit Proposal for the year ending September 30, 2019 for the City of Palacios.
  3. Discuss and consider action to approve Ordinance 2019-O-10 to revise the Budget Adjustments for the year ending September 30, 2019 for the City of Palacios
  4. Discuss and consider accepting the City of Palacios Goals for fiscal year 2019-2020
  5. Discuss and consider the designation of Councilmember McGovern as the City of Palacios Representative to the General Assembly of the HGAC and Councilmember Dodd as the Official Alternate for the year 2020
  6. Discuss and consider approving an Interlocal Agreement with Matagorda County to accept \$35,000 to assist in adding additional parking at the Palacios Pavilion.
  7. Discuss and consider action to approve the following consent agenda items:  
Minutes of the September 24, 2019 Regular Council Meeting

### **EXECUTIVE SESSION**

In accordance with Chapter 551, Government Code, (Open Meetings Law) the Council May go into Executive (closed) session in order to:

Consult with its attorney (551.071)

Discuss Real Estate transaction (551.072)

Deliberation regarding prospective gifts or donation (551.073)

Discuss personnel matters (551.074)

Deliberation regarding security devices (551.076)

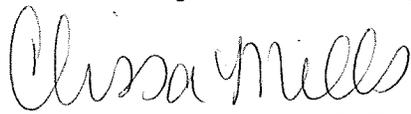
Discuss economic development negotiations (551.087)

### **ADJOURN**

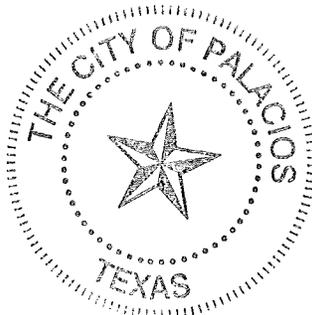
In compliance with the Americans with Disabilities Act, the City of Palacios will provide for reasonable accommodations for persons attending public meetings. To better serve attendees, requests should be received 24 hours prior to the meeting. Please contact City Hall, at 361.972.3605.

### CERTIFICATION

I certify that a copy of the October 8, 2019 agenda of items to be considered by the City Council was posted on the City Hall bulletin board by 5:00 p.m. on October 4, 2019.



Clissa Mills, City Secretary



posted 2:30  
pm  
10/4/19  
cm

**CITY OF PALACIOS  
OFFICE OF THE MAYOR  
PROCLAMATION**

- WHEREAS,** Home should be a place of warmth, unconditional love, safety and peace. Tragically, for many individuals, these are blessings that are tarnished by violence and fear. Domestic violence touches the lives of individuals of all ages, leaving a devastating impact on women, men, and children of every class. A family's home becomes a place of fear, hopelessness, and desperation when a woman is battered by her partner, a child witnesses the abuse of a loved one, or a senior is victimized by family members; and
- WHEREAS,** The problems of domestic violence are not confined to any group or groups of people, but cut across all economic, racial and societal barriers, and are supported by societal indifferences. Crime of domestic violence violates an individual's privacy and dignity, security and humanity, due to systematic use of physical, emotional, sexual, psychological and economic control; and
- WHEREAS,** The impact of domestic violence is wide ranging, directly affecting individuals and society as a whole, here in this community, throughout the United States and the world; and
- WHEREAS,** The Crisis Center of Matagorda and Wharton County provides free and confidential services to survivors of domestic violence, sexual assault and child abuse;
- WHEREAS,** During the month of October, The Crisis Center will be promoting public awareness of domestic violence. On October 24<sup>th</sup> we ask the citizens of Wharton and Matagorda County to participate in Go Purple Day by wearing purple on that day to show support for survivors and victims of domestic violence; and
- WHEREAS,** Survivors of domestic violence themselves have been at the forefront of efforts to bring peace and equality to the home; and
- NOW THEREFORE,** In recognition of the important work done by domestic violence programs, I do hereby proclaim the month of October to be Domestic Violence Awareness Month and urge all citizens to actively participate in the scheduled activities and programs to work toward eradicating domestic violence, improving victim safety and holding perpetrators of domestic abuse accountable for their actions against individual victims and our society as a whole.

**NOW, THEREFORE,** I, Glen Smith, by the authority vested in me as Mayor of the City of Palacios, Texas, do hereby proclaim the

*Month of October 2019  
"Domestic Violence Awareness Month"  
In Palacios, Texas.*

**IN WITNESS WHEREOF,** I have hereunto set my hand and caused the official seal of the City of Palacios, Texas to be affixed on this 8th day of October, 2019.

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Glen Smith  
Mayor  
City of Palacios, Texas

**ORDINANCE NO. 2019-O- 9**

AN ORDINANCE AMENDING SECTION A2.04.004 OF APPENDIX "A" ARTICLE A2.04 "IMPOUNDMENT", OF THE CODE OF ORDINANCES OF THE CITY OF PALACIOS, TEXAS TO CHANGE THE CHARGES FOR THE IMPOUNDMENT OF UNLICENSED ANIMALS; CONTAINING A SAVINGS CLAUSE; REPEALING INCONSISTENT ORDINANCES; AND PROVIDING FOR THE EFFECTIVE DATE THEREOF.

\*\*\*\*\*

WHEREAS, the City Administration has determined that the current charges by the City of Palacios for the impoundment of unlicensed animals found within the City of Palacios needs to be adjusted so that the City can recover the costs charged by veterinarians for vaccinating animals held by the City; and

WHEREAS, the City incurred cost for vaccinations has increased as the veterinarians have increased their charges; and

WHEREAS, the City Council of the City of Palacios has determined the requested new charges are reasonable and that approving the new charges will better preserve the health, safety and welfare of the citizens of Palacios; NOW THEREFORE,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF PALACIOS, TEXAS:

SECTION 1: That Section A2.04.004, Disposition of impounded animals of Appendix "A" of the Code of Ordinances of the City of Palacios, Texas is hereby amended to read as follows:

**Article A2.04 Impoundment**

**Sec. A2.04.004 Disposition of impounded animals**

- (b) Impound fee for licensed impounded animal: \$20.00 and \$5.00 per day for each day or portion of day. Impounded fee for second and subsequent impoundment: \$30.00.
- (c) Impound fee for unlicensed impounded animal: \$40.00 and \$5.00 per day board fee for each day, plus a city tag fee of \$5.00 and reimbursement to the City of the cost incurred by the City in vaccinating the animal. Impound fee for second and subsequent impoundment: \$60.00.

SECTION 2: If any provisions, section, exception, subsection, paragraph, sentence, clause or phrase of this ordinance or the application of same to any person or set of circumstances, shall for any reason be held unconstitutional, void or invalid, such invalidity shall not affect the validity of the remaining provisions of this ordinance or their application to other persons or sets of circumstances and to this end all provisions of this ordinance are declared to be severable.

SECTION 3: All ordinances or parts of ordinances inconsistent with the terms of this ordinance are hereby repealed; provided however, that such repeal shall be only to the extent of such inconsistency and in all other respects this ordinance shall be cumulative of other ordinances regulating and governing the subject matter covered by this ordinance.

SECTION 4: This Ordinance shall become effective after its approval and adoption upon second and final reading.

PASSED AND APPROVED on first reading this 24th day of September, 2019.

PASSED, APPROVED AND ADOPTED on second and final reading  
this 8th day of October, 2019.

CITY OF PALACIOS, TEXAS

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GLEN SMITH, Mayor

ATTEST:

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CLISSA MILLS, City Secretary

APPROVED AS TO FORM:

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RANDALL B. STRONG  
City Attorney

# **PROPOSAL TO SERVE**

## **City of Palacios, Texas**

Baker, Stogner & Associates  
Certified Public Accountants  
316 E. Jackson  
El Campo, TX 77437  
(979) 543-3251

Contact:

Jeffery W. Stogner, CPA or  
Robert D. Baker, CPA

September 16, 2019

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Profile of Firm Personnel

Schedule of Professional Fees & Expenses

**BAKER, STOGNER & ASSOCIATES**  
*Certified Public Accountants*

316 E. Jackson  
(979) 543-3251

El Campo, TX 77437  
(979) 543-6668 Fax

September 16, 2019

Mayor and members of City Council  
City of Palacios  
Palacios, Texas

**Letter of Transmittal**

Baker, Stogner & Associates is pleased to submit this proposal to conduct the financial audit on the general purpose financial statements of the City of Palacios, Texas. We understand that this is for the multi-year periods ending September 30, 2019, with the possibility of additional time per proposal in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Texas State Comptroller.

We will audit the City's general purpose financial statements at September 30 as a whole to determine their compliance with accounting principles generally accepted in the United States of America. We understand that you will need a report on the internal accounting controls of the City based solely on a study and evaluation made as a part of the audit of the general purpose financial statements. We understand that a report on compliance with the laws and regulations that may have a material effect on the financial statements, and any other applicable single audit reports, may also be needed. Our audit will be made in accordance with the guidelines set forth in the AICPA publication Audits of State and Local Governmental Units. The audit shall meet the additional standards required by the Single Audit Act and Uniform Guidance, Audits of State and Local Governments (if necessary).

Should Baker, Stogner & Associates be successful in its proposal, we would anticipate beginning our work in accordance with the schedule presented in your request for proposal, with anticipated completion also according to your requests. The proposed price presented is a firm and irrevocable offer through September 30, 2019.

Baker, Stogner & Associates has experience in auditing local governmental units which have general structure similar to the City of Palacios, Texas. Specifically we have recent experience in the requirements under the Department of Health and Human Services (child protective services), FEMA, Juvenile Probation, Texas Department of Alcohol and Drug Abuse, and other agencies. We were instrumental in the County of Wharton being able to gain and maintain its GFOA certification for several years. We believe we have the ability to perform the tasks required in your request for proposal in a timely and cost effective manner. We have included a list of current audit clientele, with their contacts, whom you are welcome to call and confer with as to our abilities. Please do not hesitate to do so.

The following is a list of the names of the persons authorized to make representation for Baker,

Stogner & Associates:

Jeffery W. Stogner, CPA, Partner  
Robert D. Baker, CPA, Partner

The address and telephone number of the persons listed above is 316 E. Jackson, El Campo, TX 77437: (979) 543-3251.

The person signing this letter is an authorized representative of Baker, Stogner & Associates, and his signature is authorized to bind the firm.

Thank you for the opportunity to submit this proposal, and for your consideration

A handwritten signature in cursive script that reads "Baker Stogner & Associates". The signature is written in dark ink and is positioned above the printed name of the firm.

Baker, Stogner & Associates  
Certified Public Accountants

## **PROFILE OF BAKER, STOGNER & ASSOCIATES**

Baker, Stogner & Associates is a local CPA firm located at 316 E. Jackson, El Campo. We can trace our history back to the early 1960's when Mr. Collis P. Haynes began his accounting and tax practice. Since that time we have undergone several transformations. When Mr. Stogner joined Mr. Haynes as partner the firm was not doing auditing work. However, not long after that transition, the firm picked up the books and audit of the Provident City School. After Mr. Haynes retired, Mr. Stogner joined forces with Harrison, Waldrop and Uherek out of Victoria as a partnership office. The firm retained its own name and was not a branch office of the Victoria firm. It was after this transition that then Haynes, Stogner & Associates began its audit work in earnest. We acquired the audits of the City of El Campo and the County of Wharton as well as Riceland Regional MHMR in Wharton. Through these entities, and the tutelage of the Victoria firm, our basic understanding of auditing began. Since then we have broken away from the Victoria firm and are once again independent. However, we have been able to retain our auditing clientele with a strong emphasis on service while being fully aware of the price constraints that taxing entities are under. We are proud of our audit record and believe we can perform equally well for the City of Palacios, Texas.

Baker, Stogner & Associates offers a variety of business services including accounting and write-up, tax preparation and planning, auditing and review services, and miscellaneous other management and advisory services. We employ four full time persons including the two CPA partners. The firm is licensed as a practice unit to operate within the State of Texas by the Texas State Board of Public Accountancy. Both partners are licensed by that same agency for practice within the State of Texas. The firm and its partners are currently in good standing with the State Board and there have been no disciplinary actions taken or pending against the firm during the past three years. The firm does not operate as a joint venture or within a consortium. Baker, Stogner & Associates is independent with regards to the City as defined by generally accepted auditing standards and the U.S. General Accounting Office's Government Auditing Standards. The firm has had a professional relationship involving the City over the past five years, however, no conflict of interest exists relative to the performance of the audit. A listing of some of the more specific services the firm offers are listed below.

### **Accounting Services include:**

- Preparation of compiled financial statements
- Preparation of reviewed financial statements
- Posting, adjusting and closing books of original entry
- Adjusting client prepared books and records
- Preparation of payroll and sales tax reports
- Preparation of reports to state and federal regulatory agencies

### **Tax Services include:**

- Tax return preparation for individuals, corporations, partnerships, trust, joint ventures and non-profit companies
- Analysis of individual transactions to insure proper tax planning and treatment of

incorporation, business acquisition, merger and reorganization

Complete handling of inquiries from the Internal Revenue Service and the State Comptroller including office or field audits

Personal and corporate tax planning for such things as: estates, trusts, pension, profit sharing, and deferred compensation plans

**Management Services include:**

Accounting systems design and evaluation

Cash flow analysis

Projections

Feasibility studies

Acquisition studies

Budgeting

**Auditing:**

Our auditing services include examination of financial statements presented in accordance with generally accepted accounting principles, and in conformity with special industry and governmental guidelines. We are experienced in the requirements of the Single Audit Act, OMB Circular A-133, the special requirements of water WSCs, mental health and mental retardation facilities, and various other governmental agencies which administer grants under either State or Federal Financial Assistance Programs. We have performed other audits for not for profit businesses. The firm also has experience gaining and maintaining GFOA certification. In addition, a significant product of our examination is our preparation of a management letter, a report suggesting our specific recommendations of ways to improve operations, accounting procedures, and internal controls. We work closely with client personnel to try and arrange the least intrusive and most cost effective method for performing audit services. We then follow up our services with local support should the need arise during the year for a third opinion or general advice in a particular area. We believe that this is simply a part of the service being provided in the audit. It also stems from our local roots and attitudes. Our audit capabilities include:

**Corporations:**

Small, Medium, and Large closely held entities

**Governmental:**

Cities

Counties

Water CITYs

Child Protective Services Agency

Other governmental and quasi-governmental agencies

Certain non-profit agencies

**Experience and References:**

Baker, Stogner & Associates has audited the following entities with the respective individuals to contact for references:

City of Brookside Village, Texas  
(281) 485-3048

Village of Surfside Beach, Texas  
(979) 233-1531

The above independent audit clientele included scope areas of the Single Audit Act, OMB Circular A-133, Juvenile Probation grants, DARE grants, COPS grants, housing and construction grants, water district requirements, trust and agency funds, enterprise and governmental funds, Department of Health and Human Services requirements, FEMA requirements, and various other grant and miscellaneous requirements. Typically in all cases listed above, we either wrote the entire CAFR or financial statements for the entities described, or were instrumental in the development of financial statements which have since won GFOA awards for the last several years.

## **SUMMARY OF PROPOSER'S APPROACH TO THE AUDIT**

Baker, Stogner & Associates approach to auditing is breaking the audit down into three basic areas of concern. These categories are the Planning, Testing, and Post Closing phases of the engagement. Time and resources are allocated accordingly throughout each of these phases as Supervisory, Staff and Support Staff time.

The initial phase of the engagement (Planning Phase) will include the planning for the overall audit and our interim field work. The work performed during this phase of the engagement includes preparing all necessary correspondence relating to the audit, gaining and updating our understanding of the existing internal control system, and scheduling our interim testing. This phase will be facilitated by discussion with client personnel, review of the City's budget and prior year's audit, and miscellaneous other factors. It is also the level at which some preliminary idea of the levels of risk and related testing will be gleaned.

The second phase of the engagement is the Testing Phase. This phase includes developing audit procedures and work programs based on our review of the internal control system, performance of a significant portion of compliance testing of any Federal Financial Assistance programs in place, and preparation of all necessary confirmations. This is the phase during which the decisions on the levels of risk involved in the engagement will be determined and the appropriate types of tests and procedures to be used. This phase uses many areas of City of Palacios, Texas' resources, not the least of which include the board minutes, reviews of transactions, reading of contracts and other required documents, and interviews with some personnel. However, these interviews are usually kept to a minimum and only with directly involved persons.

The third phase of the engagement is the Post Closing Phase. This phase will include all of the substantive testing of the account balances, analytical review procedures, management letter preparation and presentation, exit conference with City officials, and the writing of the actual report.

Baker, Stogner & Associates will determine sampling size based on the levels of materiality and risk found when reviewing various City records. Although this approach gives a good basic idea as to sampling size, it is not the final determining factor. We will use the suggestions given to us by this test and then use our own professional judgment as to the actual final audit sampling size and level. This approach has worked most effectively in our prior engagements. We use PPC auditing software in our audit programs and reports. Their programs on documentation of internal control procedures and risk determinates will also be used extensively, but not exclusively, in the engagement. Our analytical procedures and testing include comparative testing of general trial balances from year to year, reviews of fixed asset acquisition and disposition reports, testing of actual computer printouts for accuracy and completeness, and other procedures which may be required within the course of the engagement. We do not anticipate any special potential auditing problems for the City of Palacios, Texas, but should something occur we would anticipate having discussions with the Board (or board designee), or to whom directed, and any other relevant personnel necessary to gain a clear understanding of the problem. Once a clear understanding is established, we can then proceed with whatever is necessary to rectify the situation.

Our audit will be made in accordance with generally accepted auditing standards. The primary purpose of the audit is the expression of an opinion on the fairness of presentation of the City of Palacios, Texas' general purpose financial statements as of September 30 and for the year then ended. Our engagement is subject to the inherent risk that material errors, irregularities, or illegal acts, including fraud or defalcation, if they exist, will not be detected. However, we will inform you of any such matters that come to our attention. Should any unusual conditions occur that require auditing or accounting services to exceed the total compensation, we shall promptly bring the matter to the attention of the audit committee, or their authorized representative. We will not proceed with performance of additional services required by such unusual conditions unless specifically authorized by the audit committee and other relevant authority. Testing of the City's Federal programs, if any, will be conducted within the auditing standards of the City's cognizant agency and in accordance with any other applicable compliance provisions as necessary to disclose any areas of material non-compliance.

**SCHEDULE OF PROFESSIONAL FEES AND EXPENSES**  
**FOR THE AUDIT OF THE 2013 FINANCIAL STATEMENTS**

Net total all-inclusive maximum price for fiscal year 2019 audit \$22,500.00

We do not anticipate any out of pocket costs to be passed on to the City of Palacios, Texas. However, if it should become necessary for us to perform additional services for the City in relation to the audit, as requested by you and placed in an addendum to this proposal, we would agree to adhere to the reimbursement rates which now prevail for the rest of the City's employees.

Since this is potentially a multi-year proposal, we anticipate fees to be designed as such: for any year which is not considered in need of a single audit, as described by the most recent edition of the Yellow Book and AICPA guidelines, we would charge a fee of \$22,500 for the first two years, with an additional 5% for any additional year(s). For any year which is defined as a Single Audit, we would add an additional \$4,000 for the additional requirements of the Single Audit.

Thank you for the opportunity to submit this proposal.

If you agree with this proposal and fee arrangement, please sign below and return a copy to us at the address listed in the letter of transmittal.

We agree to the terms and proposed fees as described in this audit proposal.

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
Date



**Rod L. Abbott, CPA PLLC**

**PO Box 75**

**Tom Bean, TX. 75489**

**(214) 856-9603**

**[rodabbottcpa@hotmail.com](mailto:rodabbottcpa@hotmail.com)**

**Response to the City of Palacio's Request  
for Auditing Services Proposals**

**Authorized Representative: Rod Abbott, CPA - Shareholder**

**Submitted: September 17, 2019**

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**CITY OF PALACIOS, TEXAS**

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- Attachment A - Resume of Rod L. Abbott, CPA
- Attachment B- List of Recent Audits Performed
- Attachment C – TSCPA Peer Review Enrollment
- Attachment D – Texas State Board Licenses to Practice
- Attachment E – Continuing Professional Education

# Rod L. Abbott, CPA PLLC

## Certified Public Accountant

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September 16, 2019

To the Mayor, City Council and Management of the  
City of Palacios, Texas  
311 Henderson  
Palacios, TX. 77465

Dear Mayor, City Council, and Management:

I am pleased to submit the enclosed response to the City of Palacios, Texas ("City") request for audit services proposals for the fiscal year ending September 30, 2019, with annual optional renewals through fiscal year 2023.

Rod L. Abbott, CPA PLLC (the "Firm") is a newly formed accounting firm located in Grayson County, Texas. I was an audit partner with LaFollett and Abbott, PLLC for over eight years and just recently decided to form my own firm to solely focus on my areas of expertise, which are providing audit and consulting services to governmental and not for profit entities. I have been performing municipal audits since my first day as an accountant in 1999.

Due to Palacios' population, larger firms may view your City as a "lower priority" client. I assure you that your City would be a valuable addition to my practice and that attitude would be reflected in the quality and timeliness of my audit. I am also very experienced in working with smaller cities with limited finance and administrative staff and would do my best to make the transition to a new audit firm as painless as possible.

I confirm the audits will be conducted in accordance with Generally Accepted Governmental Auditing Standards (GAGAS), standards issued by the Governmental Accounting Standards Board (GASB) and all other applicable standards. *I also confirm my commitment to issue your annual audit during February of each subsequent fiscal year or earlier.*

No audit team members of the Firm have had any business dealings or other relationships with the City's Council Members, management, other employees, City component units, or other agencies of the City. The Firm and all audit team members meet the definition of "independent" as defined by both the American Institute of CPAs (AICPA) and Governmental Auditing Standards (G.A.S.).

I hope the City will give serious consideration to this proposal based on my twenty-plus years of governmental auditing experience, Incode accounting software experience, membership in the Texas Society of CPAs, American Society of CPAs, and the Government Finance Officers Association.

Respectfully Submitted,



Rod L. Abbott, CPA

## **Technical Proposal**

### **Profile of Proposing Firm**

#### **License to Practice**

Both Rod Abbott, CPA and the Firm are authorized by the Texas State Board of Public Accountancy to perform audits in the State of Texas. (See Attachment D)

#### **Firm Qualifications and Experience**

Rod L. Abbott, CPA PLLC (the "Firm") is a newly formed accounting firm located in Grayson County, Texas. I was an audit partner with LaFollett and Abbott, PLLC for over eight years and just recently decided to form my own firm to solely focus on governmental and not for profit entities. See Attachment B for a list of recent Texas audit clients for which I was the audit partner in-charge.

Eddie Peacock, CPA is also an associate CPA available to the Firm to assist on Firm audits. Mr. Peacock's role is usually to review City audits to ensure compliance with the G.F.O.A.'s requirements to be awarded their Certificate of Achievement for Excellence in Financial Reporting Program (CAFR Program). He is also available to review Firm audits as needed to ensure Firm independence. Mr. Peacock has over twenty years of both working for municipalities and providing consulting services to Texas municipalities. The Firm also has two non-CPA degreed accountants with municipal auditing experience.

Eddie Peacock, CPA will be an associate CPA for the City's audit and perform a final review of the audit workpapers and the audited financial statements to ensure the highest level of quality and provide another layer of independent assessment of the audit results.

Rod L. Abbott, CPA PLLC is enrolled in the AICPA Peer Review Program, through which external reviews are conducted by another independent public accounting firm. The Firm's accounting and auditing practice will be triennially reviewed as a member in this program. The Firm's first peer review is pending as shown at Attachment C. Mr. Abbott has never been associated with any firm that received less than the highest peer review rating of "pass".

**Partner, Supervisory, Staff Qualifications and Experience**



Rod Abbott, CPA will lead all areas of the City audit planning, audit fieldwork, creation of the financial statements, and subsequent presentation of the audit results to the City Council. Based on audit workload, the Firm also has available two contract staff auditors that have obtained their bachelor's degrees in accounting from the University of North Texas and both have considerable experience in auditing governmental entities. If engaged by the City, Rod Abbott, CPA will be in charge of the City for all years audited and will always be available to answer any questions that the City may have. Mr. Abbott's resume can be found at Attachment A. Mr. Abbott's continuing professional education can be found at Attachment E.

As an audit partner at LaFollett and Abbott, PLLC up to May 1, 2019, I was the partner in charge of over fifteen governmental audits for fiscal year 2018 with entities as large as the City of Anna and City of Princeton. I encourage you to contact my references to support my skills, knowledge, and experience that are submitted in this proposal.

One contract staff auditor will be utilized for the City audit and supervised by Mr. Abbott. All Firm accountants are degreed accounts with suitable skills for municipal audits.

## Audit Plan

When choosing to change firms, the time involved in working with new accounting professionals is often a concern. The Firm will strive to:

- Avoid interruption of service,
- Minimize disruption and investment of management's time, and
- Establish ongoing channels of communication with the City's management.

## Risk Assessments

Although Firm audits are conducted through a structured, risk-based model, we focus on understanding the client's needs, requirements, and expectations. The Firm works collaboratively with management and the Audit Committee (or similar function) to develop a communication and work plan to continuously improve client service.

In planning, Mr. Abbott will concentrate on "key risks," (items with a greater risk of a material misstatement, a material weakness in internal controls, or other matters resulting in the issuance of an inappropriate audit report). The Firm focuses on "material" items (i.e. those items that would be important to the user of your financial statements). When evaluating materiality of identified misstatements, certain quantitative and qualitative factors must be considered—which may include:

- Impact on operating trends (revenue, expenses, net income, etc).
- Nature of the misstatement (i.e., did the misstatement result from an error or an unlawful transaction?).
- Impact on fund balances
- Impact to loan covenants and contractual and regulatory requirements.

Consistent communication is a key to completion of the audit. Mr. Abbott will meet with your management to:

- Understand the City's financial processes and IT systems to ensure that all significant account balances, transactions, procedures, and systems are tested as deemed necessary.
- Discuss ongoing changes—specifically new accounting pronouncements and key City transactions in their early stages, enabling us to agree on the resolution of any complex financial issues on a timely basis.

After gaining an understanding of all significant processes and key controls, Mr. Abbott will perform walkthroughs of key controls to verify their implementation and operating effectiveness. Final risk assessments can then be determined and substantive tests for regular audit fieldwork are determined.

### Post-Planning Fieldwork Procedures

Some of the on-site audit procedures the Firm will perform after the City's fiscal year-end include:

- Third party confirmation of year-end cash and long-term debt balances,
- Obtain representations from the City's attorney as part of contingent liability testing,
- Examination of manually made journal entries,
- Vouch vendor payments made after fiscal year-end to ensure the completeness of accounts payable.
- Analyze receipts received after fiscal year-end to audit the accounts receivable valuation.
- Analytically test revenue based on City rates, customer base, and other related trend information.
- Analytically test expenses based on City volume of services provided, City contracts, employee headcount, and other related trend information.

Throughout the audit process, Mr. Abbott will keep management informed of any potential issues with internal controls or the improper recording of City financial transactions.

At the end of audit fieldwork, Mr. Abbott will meet with City management to discuss:

- Any potential findings or recommendations,
- Any open items with third parties,
- Any open "to-do" items with the City or the Firm,
- Review the preliminary list of proposed audit adjustments,
- Discuss the timing of the City receiving a draft version of the audited financial statements, internal control report, and if applicable, a management recommendation letter, and
- Discuss the finalization of the audit, approval by management, and presentation to the City Council.

### Post-Fieldwork Procedures

Mr. Abbott will prepare the audited financial statements in accordance with the AICPA, Generally Accepted Governmental Auditing Standards, and the Governmental Accounting Standards Board.

As part of the Firm's internal quality control program, Mr. Abbott and Mr. Peacock will perform a final review of the audit workpapers and the audited financial statements.

City management will be provided a draft version of the audit well before the City Council presentation to allow adequate time to review the draft for any questions, corrections, or concerns.

### **Audit Schedule**

This schedule is tentative. The Firm will work with City management to reach a mutually agreed to final schedule.

October 2019 - Engagement letter received by the Firm.

October 2019 - Contact predecessor auditor and obtain prior year audit workpapers.

October 2019 - Provide City with a list of audit requests to compile for audit fieldwork.

October 2019 - The City will prepare debt and cash confirmations based on templates provided by the Firm. Firm mails confirmations and attorney letter request to third parties.

November 2019 - Perform on-site audit procedures at City offices. Have exit conference with City management to review preliminary findings and proposed audit adjustments.

January 2020 - A draft version of the audited financial statements and related reports are provided to the City to review for any questions, corrections, or concerns.

February 2020 - City comments on the audit draft are received and the audit is finalized.

February 2020 - The fiscal year 2019 City audit results are presented to the City Council.

### **Audit Client References**

Below are some governmental audit clients that the City of Palacios may contact:

Steven Krolczyk, Finance Director  
Trophy Club Municipal Utility District  
100 Municipal Drive, Trophy Club, TX. 76262  
(682) 831-4600

Carron Prigmore, Finance Director  
City of Princeton, Texas  
123 W. Princeton Drive  
Princeton, TX. 75407  
(972) 736-2416

Stan Endres, City Administrator  
City of Muenster, Texas  
400 N. Main St. PO Box 208  
Muenster, TX. 76252  
(940) 759-2236

### **Auditor Rotation and Other Information**

You may be aware that after the Enron scandal of 2001, large, publicly traded companies were ordered to rotate their independent auditor on a regular basis. Although not mandated by State law, most auditors of governmental entities understand the benefit of rotating auditors to provide a “fresh set of eyes” for the entity. In fact, many Texas City Charters require auditor rotation on a regular basis. I encourage the City to look at rotation from this perspective. Although rotation may make some clients anxious, my Firm always strives to perform audits in a professional, but relaxed approach to put each client at ease. I am confident that my references will support this claim.

### **Final Comments**

Although my Firm is located in North Texas and many cities prefer to hire a more local firm, I confirm my commitment to provide the City of Palacios with a timely, quality audit. Travel is part of the audit business and I will ensure distance does not prevent achieving any auditing goals.

**The fact that the City will be an extremely important client to the Firm cannot be shown in this proposal, but will be shown by Mr. Abbott's actions in performing a timely and quality audit for the City. Thank you for your consideration.**

### **Sealed Dollar Cost Proposal**

Professional fees are based on the key assumptions that the City will:

- Make available documents for review at the City.
- Prepare confirmations to mail and provide supporting documents as requested.
- Assist in obtaining an understanding of the accounting and I.T. systems of the City.
- Ensure all fiscal year cash transactions are posted to Incode and that cash accounts properly reconcile.

**Sealed Dollar Cost Proposal (continued)**

<u>Team Member</u>	<u>Standard Rate</u>	<u>Proposal Rate</u>	<u>Hours</u>	<u>Totals</u>
Rod Abbott, CPA	195	95	115 \$	10,925
Eddie Peacock, CPA	195	100	4 \$	400
Audit Staff I	65	45	82 \$	3,690
Travel & lodging			\$	870
Printing & other			\$	40
<b>FY2019 Totals:</b>			<b>201 \$</b>	<b>15,925</b>

The following are the all-inclusive audit fee estimates for all years:

<u>Year Ending:</u>	<u>Fee:</u>
September 30, 2019	\$ 15,925
(optional) September 30, 2020	\$ 16,250
(optional) September 30, 2021	\$ 16,750
(optional) September 30, 2022	\$ 17,750
(optional) September 30, 2023	\$ 18,900
	<u>\$ 85,575</u>

Note 1: If in any year a Single Audit performed under Uniform Guidance is required (required when fiscal year federal grant funds exceed \$750,000), then an additional fee in the range of \$3,500 to \$5,500 is applicable.

Note 2: If the City requires any additional services outside the scope of the audit, the chargeable rate by staff level will be the same as the "proposal rates" noted above.

**Rod L. Abbott, Certified Public Accountant**

201 S. Thomas  
Tom Bean, TX. 75489  
(214)856-9603  
[rodabbottcpa@hotmail.com](mailto:rodabbottcpa@hotmail.com)

**Education:**

Texas A&M University at Commerce  
Received Bachelors of Professional Accountancy in December of 1998  
Local Chapter Treasurer of the Beta Alpha Psi accounting honors fraternity

**Accounting Experience:**

**Gregg & Company, CPAs**

Tom Bean, Texas - February 1999 to August 2007  
Performed governmental, not for profit and healthcare audits. Advanced from Staff I to Audit Supervisor in-charge of most firm audits.

**KBA Group LLP (then acquired by BKD, LLP)**

Dallas, Texas - September 2007 to August 2010  
Senior Auditor for one of the country's top ten largest CPA firms. Supervisor of staff and lead field auditor for many for profit audits, not for profit audits, and a few municipal audits including the City of Shreveport.

**LaFollett and Abbott, PLLC**

Tom Bean, Texas - September 2010 to May 2019  
Audit Partner - In-charge auditor for the majority of the Firm's audits. The Firm specializes and governmental and not for profit audits. Issued many city audits that received the GFOA's Certificate of Achievement for Excellence in Financial Reporting. Extensive software knowledge of QuickBooks, Asyst by USTI, STW, and INCODE.

## ATTACHMENT A

### **Rod L. Abbott, CPA PLLC**

Tom Bean, Texas - May 2019 to Present

Firm Founder and Shareholder

Partner - In-charge auditor for the Firm's audits. Specializing in providing attestation and consulting services to governmental and not for profit clients in Texas.

### **Credentials**

Issued Texas State Board CPA license number 081707 in 2002.

Member of the American Institute of Certified Public Accountants

Member of the Texas Society of Certified Public Accountants

Member of the Government Finance Officers Association

**RECENT GOVERNMENTAL AUDITS PERFORMED WITH LAFOLLETT &  
ABBOTT, PLLC**

CITY OF ANNA, TEXAS (COMPREHENSIVE ANNUAL FINANCIAL REPORT)

CITY OF SACHSE, TEXAS (COMPREHENSIVE ANNUAL FINANCIAL REPORT)

CITY OF BRIDGEPORT, TEXAS (COMPREHENSIVE ANNUAL FINANCIAL REPORT)

CITY OF PRINCETON, TEXAS (COMPREHENSIVE ANNUAL FINANCIAL REPORT)

TROPHY CLUB MUNICIPAL UTILITY DISTRICT

VERONA SPECIAL UTILITY DISTRICT

TEXOMA WORKFORCE DEVELOPMENT BOARD

CITY OF HASLET, TEXAS

CITY OF AUBREY, TEXAS

CITY OF POTTSBORO, TEXAS

CITY OF VAN ALSTYNE, TEXAS

CITY OF OAK POINT, TEXAS

CITY OF GUNTER, TEXAS

CITY OF COLLINSVILLE, TEXAS

CITY OF MUENSTER, TEXAS

CITY OF HOWE, TEXAS

CITY OF WHITEWRIGHT, TEXAS

CITY OF TOM BEAN, TEXAS

**RECENT NOT FOR PROFIT AND OTHER AUDITS PERFORMED WITH  
LAFOLLETT & ABBOTT, PLLC**

GREATER TEXOMA HEALTH CLINIC, INC.

FOUR RIVERS OUTREACH, INC.

HEROES ON THE WATER, INC.

YOUR HEALTH CLINIC, INC.

RIGHT FROM THE START NUTRITION, INC.

GRAYSON COUNTY CHILDREN'S ADVOCACY CENTER, INC.

EAGLE ADVANTAGE SCHOOLS, INC.

GATEWAY CHARTER ACADEMY, INC.

MEALS ON WHEELS OF TEXOMA, INC.

CARUTH RIDGE ESTATES HOMEOWNERS ASSOCIATION, INC.

SUNDOWN RANCH HOMEOWNERS ASSOCIATION, INC.

VILLAS OF WESTRIDGE CONDOMINIUM ASSOCIATION OF MCKINNEY, INC.

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AICPA Peer Review Program  
and TSCPA Peer Review Program  
Administered by the Texas Society of CPAs



July 14, 2019

Rod Abbott  
Rod L. Abbott, CPA PLLC  
PO Box 75  
Tom Bean, TX 75489

Dear Rod Abbott:

Your firm is enrolled in the TSCPA Peer Review Program. As an enrolled firm, you are required to have a peer review of your firm's practice once every three years. The due date for your peer review is April 30, 2021. This is the date by which all review documents should be completed and submitted to the Texas Society of CPAs within the Peer Review Integrated Management Application (PRIMA) system.

Prior to your review due date, you will be contacted by Texas Society of CPAs to make the necessary arrangements for your review within PRIMA. In the meantime, please contact us if you have any questions about the TSCPA Peer Review Program.

Thank you for your cooperation in this important program.

Sincerely,

A handwritten signature in cursive script that reads 'Jerry Cross'.

Jerry Cross  
Director - Peer Review  
peerreview@tscpa.net  
800-428-0272 Opt. 2  
Texas Society of CPAs

Firm Number: 900255349982

ATTACHMENT D

CURRENT FIRM AND C.P.A. STATE BOARD LICENSES



Texas State Board of Public Accountancy  
333 Guadalupe, Tower 3 Suite 900, Austin, Texas 78701-3900

The office is licensed to practice in Texas.

**ROD L ABBOTT, CPA PLLC**  
OFFICE  
PO BOX 75  
TOM BEAN TX 75489

Firm License ID: C10527

Expires: 8/31/2020

Office License ID: W14375

Form No: 19085044



Texas State Board of Public Accountancy  
333 Guadalupe, Tower 3 Suite 930, Austin, Texas 78701-3900

This individual is licensed to practice in Texas.

**RODNEY LEE ABBOTT**  
CERTIFIED PUBLIC ACCOUNTANT  
PO BOX 75  
TOM BEAN TX 75489-0075

License ID: 081707

Expires: 4/30/2020

Form No: 19055571

**Rod Abbott, CPA****Continuing Professional Education**

<u>Date</u>	<u>Sponsor</u>	<u>Course Title</u>	<u>Hours</u>
2/13/2017	AICPA	NOT-FOR-PROFITS: TAX EXEMPT STATUS	2
2/13/2017	AICPA	NOT-FOR-PROFITS: SPLIT INTEREST AGREEMENTS & ENDOWMENTS	2
2/14/2017	AICPA	NOT-FOR-PROFITS: PLANNING THE AUDIT	1.5
2/14/2017	AICPA	NOT-FOR-PROFITS: FRAUD OVERVIEW AND PREVENTION	2
2/14/2017	AICPA	NOT-FOR-PROFITS: RISK ASSESSMENT AND INTERNAL CONTROLS	2
2/14/2017	AICPA	NOT-FOR-PROFITS: BEST PRACTICES IN BOARD GOVERNANCE	1
2/14/2017	AICPA	NOT-FOR-PROFITS: FEDERAL AND STATE FILING REQUIREMENTS	1
2/14/2017	AICPA	NOT-FOR-PROFITS: UNRELATED BUSINESS INCOME TAX	1.5
2/14/2017	AICPA	NOT-FOR-PROFITS: PRIVATE FOUNDATIONS	1
2/14/2017	AICPA	NOT-FOR-PROFITS: INTRODUCTION TO FORM 990	2.5
2/15/2017	AICPA	NOT-FOR-PROFITS: AUDITING CONSIDERATIONS	1.5
2/17/2017	Checkpoint Learning	AUDITS OF 401K PLANS	8
2/20/2017	Checkpoint Learning	INFLUENCING PEOPLE IN ORGANIZATIONS - LEADERSHIP IMPERATIVE	6
3/31/2018	Checkpoint Learning	PERSONAL & PROFESSIONAL ETHICS FOR TEXAS CPAs	4
4/2/2018	Checkpoint Learning	TRENDS IN GOVERNMENTAL ACCOUNTING	4
4/2/2018	Checkpoint Learning	GUARDING AGAINST WASTE, FRAUD AND ABUSE	3
4/2/2018	Checkpoint Learning	ASU 2016-14 - NONPROFIT FINANCIAL STATEMENTS	3
4/2/2018	Checkpoint Learning	2017 ACCOUNTING UPDATE	8
8/9/2018	Checkpoint Learning	STATE AND LOCAL GOVERNMENTAL PERFORMANCE MANAGEMENT	12
8/17/2018	Checkpoint Learning	COMMON SINGLE AUDIT DEFICIENCIES	1
8/17/2018	Checkpoint Learning	GASB 77 AND TAX ABATEMENTS	1
4/12/2019	Checkpoint Learning	CURRENT DEVELOPMENTS IN ACCOUNTING	13
4/13/2019	Checkpoint Learning	HOW TO AUDIT YOUR AUDITOR	8
4/18/2019	Checkpoint Learning	SPECIALIZED ACCOUNTING OF GOVERNMENTAL ENTITIES	4
4/22/2019	Checkpoint Learning	PROVIDING OPERATIONAL SERVICES FOR NFP CLIENTS	6
4/23/2019	Checkpoint Learning	INTERNAL CONTROL AND FRAUD IN GOV'T AND NFP ENTITIES	11
4/23/2019	Checkpoint Learning	MORAL LEADERSHIP & CHARACTER DEVELOPMENT (UPDATED)	5
4/23/2019	Checkpoint Learning	ENTERPRISE RISK MANAGEMENT	5
			<b><u>120</u></b>



## BUDGET ADJUSTMENT JUSTIFICATION FORM

1. We have collected more in Taxes (01 04020) than anticipated and are increasing the revenues for this line item from \$1,435,000.00 to \$1,450,000.00. An increase of \$15,000.00.
2. We have collected more in Bldg/Moving/Plumb/Perm (01 04040) than anticipated and are increasing the revenues for this line item from \$30,000.00 to \$40,000.00. An increase of \$10,000.00.
3. We have collected more in Interest Income (01 04700) than anticipated and are increasing the revenues for this line item from \$11,000.00 to \$14,000.00. An increase of \$3,000.00.
4. We have moved money from Restricted Funds for the New Fire Station into Misc Receipts (01 04710) and are increasing the revenues for this line item from \$4,500.00 to \$61,158.00. An increase of \$56,658.00.
5. We have moved money from Texpool into Misc Receipts (28 04710) to cover the purchase of land and are increasing the revenues for this line item from \$1,500.00 to \$306,500.00. An increase of \$305,000.00.
6. The budget was \$0.00 for Capital Outlay in Fire Station (01 30-05530). We are adding part of the Restricted Funds for the Fire Station for payments made to date in order to cover expenses for end of year, we are increasing the budget by \$56,658.00 for a total budget of \$65,658.00.
7. The budget was \$175,000.00 for Capital Outlay in Recycle Center (01 35-05530). Due to an increase in funds that were granted to us by HGAC Recycle Grant we are increasing the budget to cover the additional expenses. We are increasing the budget by \$11,200.00 for a total budget of \$186,200.00.
8. The budget was \$3,840.00 for Contractual Services in Recycle Center (01 35-05300). Due to an increase in funds that were granted to us by HGAC Recycle Grant we are increasing the budget to cover the additional expenses. We are increasing the budget by \$6,160.00 for a total budget of \$10,000.00.
9. The budget was \$800.00 for Supplies in Recycle Center (01 35-05050). Due to an increase in funds that were granted to us by HGAC Recycle Grant we are increasing the budget to cover the additional expenses. We are increasing the budget by \$1,800.00 for a total budget of \$2,600.00.
10. The budget was \$0.00 for Health Insurance in the Animal Control (01 55-05710) and has been exceeded due to a wrong coding. We are transferring money from water budget

to cover this overage because that is the correct budget it should have come out of. We are increasing the budget by \$4,400.00 for a total budget of \$4,400.00.

11. The budget was \$79,100.00 for Electricity in the Sewer Department (02 23-05260). We have exceeded that budget. We are transferring \$21,300.00 for a total budget of \$100,400.00.
12. The budget was \$19,000.00 for Stationary Equipment Maint in the Sewer Department (02 23-05120). We have exceeded that budget. We are transferring \$31,000.00 for a total budget of \$50,000.00.
13. The budget for Workers Compensation in Water Department (02 22-05744) was \$8,500.00. We did not expend this money this year so in order to cover above additional expenses we are decreasing the budget by \$8,500.00 for a total budget of \$0.00.
14. The budget for Stationary Equipment in Water Department (02 22-05122) was \$3,000.00. We did not expend all of this money this year so in order to cover above additional expenses we are decreasing the budget by \$2,200.00 for a total budget of \$800.00.
15. The budget for Other-Capital Outlay in Water Department (02 22-05530) was \$74,850.00. We did not expend all of this money this year so in order to cover above additional expenses we are decreasing the budget by \$9,200.00 for a total budget of \$65,650.00.
16. The budget for Health Insurance in Water Department (02 22-05710) was \$68,000.00. We did not expend all of the money this year so in order to cover above additional expenses we are decreasing the budget by \$1,400.00 for a total budget of \$66,600.00.
17. The budget for Hazard Mitigation in Water Department (02 22-05765) was \$31,000.00. We did not expend this money this year so in order to cover above additional expenses we are decreasing the budget by \$31,000.00 for a total budget of \$0.00.

**City of Palacios Goals**  
**For fiscal year 2019-2020**

## Background

The City Council is required by the City Charter, Section 3.01 (C) with adopting and modifying a plan that contains the annual goals and goals for the 20-year plan and directing the City Manager to meet those goals. While the current 20-year plan has been approved and is in effect, the following is to outline goals for the 2019-2020 fiscal year.

## Overall Goals

The following are a list of general goals for the 2019-2020 fiscal year and include:

- Improve internal and External communications
- Improve the overall appearance of the community
- Secure and administer additional funding grants for infrastructure improvements
- Continue to work with the PEDC and the MCEDC to attract new business to the community and enhance/expand existing businesses.
- Continue to work toward advancement of the Palacios Capital Improvements Program, Public Works and infrastructure improvements.

### Improve Internal and External communications

The use of social media is becoming more and more prevalent by citizens and governmental entities. Every effort should be utilized to make sure that information provided by the City by means of the internet, or any other means, is timely and as factual as possible. Policies and procedures concerning both internal and external communications should be reviewed and if needed, amended to ensure that courtesy, truthfulness and transparency are hallmarks.

### Improve the overall appearance of the community

While great strides have been accomplished in the recent years toward the improvement of the overall appearance of our community, there are still areas that need attention. The City should continue its efforts in demolishing derelict properties and with the cooperation of property owners ensure that the debris from these projects are cleared and disposed of as quickly and safely as possible. There should also be increased attention paid to grass, weeds and debris in rights-of-way, sidewalks and public areas around town. Especially on property owned by the City of Palacios.

### Secure and administer additional funding grants for infrastructure improvements

The attainment of grants is the life blood of the City's efforts to improve the infrastructure of the community. An unfortunate fact is, that without grant funding, the City cannot afford to begin, conduct or complete major Capital Improvement projects. While the City staff has been very successful in recent years in securing funding

through various state and federal agencies, it is imperative that efforts in this area be continued as a priority. With minimum staff available (City Manager, City Treasurer and City Secretary), the effort to secure and administer grants is a time consuming and restrictive effort. One goal for the future would be the hiring of an additional person to act as an assistant City Manager/Grant Coordinator.

Work with the PEDC and MCEDC to attract new business and to enhance/expand existing businesses.

The attraction of new business is paramount to the expansion of the tax base and to the effort to provide more services to our citizens. Equally important is the effort to enhance and expand existing business who are already contributing to the viability of our community. The City should continue to work as closely as possible with both the Palacios Economic Development Corporation and the Matagorda County Economic Development Corporation toward the goal of attaining new retail businesses, the construction of a new hotel downtown and the development of incentives to attract business to the available buildings in the downtown area.

Continue to work toward the advancement of the Palacios Capital Improvements Program, Public Works and infrastructure improvements.

Public Works projects are an integral part of the City of Palacios Capital Improvement Program. The recommendations for infrastructure improvements are derived from engineering studies and cost estimates prepared by outside engineering firms. The current plan was completed in 2009-2013 and includes proposed improvements to:

- Drainage
- Water lines (3 phases)
- Street Improvements (5 phases)

In addition to the Capital Improvement Program, the City has conducted a pavement inventory, which has been completed by Urban Engineering, every 5 years. A pavement inventory was completed in 2017 to update the inventory completed in 2011. This inventory outlines the "overall" condition of the streets of Palacios and includes suggested projects such as total reconstruction of certain streets, reclamation of some streets and seal coating of individual streets.

While a Capital Improvement Program is in place, and has been for some time, the accomplishment of the many phases of the program is totally dependent upon securing the necessary funding needed in each budget year to completely finance the assorted projects.

In the 2019-2020 budget, there has been \$183,900.00 allocated for streets. This figure includes \$35,000 for reconstruction material, \$5,000.00 for street signs, \$5,500 for pipe and culverts and \$5,300.00 for project design. These budgeted funds will ensure an active repair and maintenance effort for the fiscal year. Also included in the 2019-2020 budget is \$205,000.00 in restricted funds designated for street rehabilitation. These

funds have been accruing annually to be applied toward a planned phase of the Capital Improvement Program. Once sufficient funds have been accrued, they will be expended on a priority basis in accordance with the 2017 pavement inventory. The estimated cost of individual phases, based on the conditional needs of individual streets are:

- Reclamation – removing existing base materials, stabilization and surface treatment - \$250,000.00 - \$300,000.00 per mile.
- Total reconstruction -removing existing pavement and base, stabilization, new base material and surface treatment - \$700,000.00 per mile.
- Seal coating to extend life of existing street - \$50,000.00 per mile.

As has been noted in 2019-2020 budget presentations, the City of Palacios has been allocated \$1,414,816.00 from CDBG DR grant funds for street & drainage improvement projects. The City staff and GrantWorks are currently working with the Texas General Land Office and U.S. Department of Housing and Urban Development to submit all the needed materials required to secure the \$1,414,816.00 in its entirety for the 2019-2020 fiscal year. Once the funds have been secured, they will be used to rehabilitate infrastructure in the Foley Addition as per the Capital Improvements Program and the City of Palacios Design Report/City Wide Drainage Project as prepared by Jones and Neuse, Inc. of Houston, Tx.

It anticipated that the following Capital Improvement Program projects will be begun, continued or completed in the 2019-2020 fiscal year:

- Airport Improvements
- Replacement of Water Lines and waste water treatment facility improvements
- Generators for City lift stations and for City Hall
- Downtown Revitalization Project (sidewalk rehabilitation)
- Street and Drainage improvements to Foley Addition

The timing, scheduling and completion of work on the above projects are totally dependent upon sufficient funding being secured from CDBG DR grants, CDBG grants and additional grant funding from TXDOT. These projects represent a total of over \$4.5 million as per the proposed 2019-2020 budget. The exact schedule (start-completion dates), cost and scope of work for each individual project will be provided upon completion of funding, engineering and approval by the Palacios City Council.

**DESIGNATION OF REPRESENTATIVE AND ALTERNATE  
HOUSTON-GALVESTON AREA COUNCIL  
2020 GENERAL ASSEMBLY**

\*\*\*\*\*

**BE IT RESOLVED**, by the Mayor and City Council of Palacios, Texas,  
that Steve McGovern be, and is hereby designated as its Representative  
to the **GENERAL ASSEMBLY** of the Houston-Galveston Area Council for the year 2020.

**FURTHER**, that the Official Alternate authorized to serve as the voting representative should  
the hereinabove named representative become ineligible, or should he/she resign, is  
Wayne Dadd.

**THAT** the Executive Director of the Houston-Galveston Area Council be notified of the  
designation of the hereinabove named representative and alternate.

**PASSED AND ADOPTED**, this \_\_\_\_\_ day of \_\_\_\_\_, 2019.

APPROVED:

\_\_\_\_\_  
Mayor

ATTEST:

By: \_\_\_\_\_



September 5, 2019

Hon. Glen Smith  
Mayor  
City of Palacios  
713 1st St.  
Palacios, TX 77465

Dear Mayor Smith:

I am writing regarding the appointment of your city's representative to H-GAC's 2020 General Assembly.

H-GAC's Bylaws provide that each member Home Rule city with a population under 25,000 as of the last (2010) Federal Census is entitled to designate one representative and one alternate to the H-GAC General Assembly, which will meet in early 2020.

I am enclosing the appropriate form for your city's use in officially designating a representative and an alternate. The two designees must be elected official members of your city's governing body. Please return the completed form by fax to 713-993-2414 or email [cynthia.jones@h-gac.com](mailto:cynthia.jones@h-gac.com).

A dinner meeting of Home Rule city representatives is scheduled for the evening of Thursday, November 7. At that meeting, your 2019 Home Rule Cities' H-GAC Board of Directors representatives will report on this year's activities and look ahead to issues and progress in 2020.

We are sending a copy of these designation materials to your city secretary as well. We would appreciate receiving your city's designation form no later than October 25. If you have any questions during the designation process, please call Rick Guerrero at 713-993-4598.

Sincerely,

Chuck Wemple

CW/cj

Enclosure  
cc: City Secretary



**MATAGORDA COUNTY**  
NATE McDONALD  
COUNTY JUDGE

September 21, 2019

To whom it may concern,

Please accept this letter as confirmation that the Interlocal Agreement in regards to the County's contribution of \$35,000 to assist in additional parking at the Palacios Pavilion, was approved in Commissioner's Court on Monday, September 16, 2019. We have included two (2) original copies and we ask that you keep one for your records and please return our copy with signatures in a timely manner.

If we can help with anything further, please feel free to contact us.

Sincerely,

A handwritten signature in black ink, appearing to read "Crystal Morones".

Crystal Morones  
Commissioner's Court Secretary  
Matagorda County

INTERLOCAL AGREEMENT BETWEEN  
MATAGORDA COUNTY AND CITY OF PALACIOS  
REGARDING PALACIOS PAVILION ADDITIONAL PARKING

THIS INTERLOCAL AGREEMENT (“Agreement”) is made between MATAGORDA COUNTY, having its principal place of business at 1700 7<sup>th</sup> Street, Bay City, Matagorda County, Texas 77414, referred to as “County,” and CITY OF PALACIOS, having its principal place of business at 311 Henderson Palacios, Matagorda County, Texas, 77465, referred to as “City.”

WITNESSETH:

WHEREAS, Chapter 791, entitled the Interlocal Cooperation Act of the Texas Government Code provides that local governments may contract with one another to increase the efficiency and effectiveness of their governmental services and functions; and

WHEREAS, County and City are separate governmental entities; and

WHEREAS, County and City find it mutually beneficial and in the public interest for County to participate in the construction of additional parking for the Palacios Pavilion; and

WHEREAS, City has the necessary personnel and is willing to assume the management and operation of the construction of the additional parking; and

WHEREAS, the parties desire to undertake a governmental function or service in which the parties do not have any pecuniary purpose, and there is no profit motive; and the only purpose of the contract is to further the public good; and

WHEREAS, County has authority under Section 352.001 of the Texas Local Government Code to contract with a municipality to perform governmental functions.

NOW, THEREFORE, County and City, in consideration of the mutual promises and covenants contained in this Agreement, do agree as follows with respect to County’s contribution to the Palacios Pavilion parking lot:

ARTICLE 1. LEGAL AUTHORITY

Each party warrants that it possesses adequate legal authority to enter into this Agreement. The governing body of each party has authorized its respective signatory officials to enter into this Agreement and bind each party to the terms of this Agreement and any subsequent amendments thereto.

## ARTICLE 2. APPLICABLE LAW

County and City agree to conduct all activities under this Agreement in accordance with all applicable rules, regulations, ordinances and laws in effect or promulgated during the term of this Agreement.

## ARTICLE 3. WHOLE AGREEMENT

This Agreement, as provided herein, constitutes the complete agreement between the parties hereto, and supersedes any and all oral and written agreements between the parties relating to matters herein. Except as otherwise provided herein, this Agreement cannot be modified without written consent of the parties.

## ARTICLE 4. SCOPE OF AGREEMENT

This Agreement covers the amount that County will pay to the City out of the general fund of the county to assist in the construction of a parking lot for the Palacios Pavilion.

## ARTICLE 5. PAYMENTS FROM CURRENT REVENUES

County shall make all payments pursuant to this agreement from current revenues available to County in accordance with § 791.011 of the Texas Government Code.

## ARTICLE 6. CONTROL, DIRECTION AND MANAGEMENT

By entering into this Agreement, the parties do not intend to form a joint enterprise.

At no time will the parties have an equal or mutual right of control. At all times City reserves its superior right to control the direction and management of the enterprise solely for liability purposes under this Agreement and/or solely by virtue of the City's undertaking the responsibility of the construction of the new parking lot.

## ARTICLE 7. DUTIES OF COUNTY

County shall provide funding in the amount of \$35,000.00 in 2019. County shall have no responsibility for performing any other duties or providing any other resources.

Payment will be made by County on or before December 31, 2019 and mailed to City at the address provided below.

This obligation is contingent on the City assuming maintenance and control of the parking and dedicating its use to the public use of the Palacios Pavilion.

## ARTICLE 8. DUTIES OF CITY

City shall be responsible for ownership of the additional parking, insurance, and ensuring its dedication of public use for the Palacios Pavilion.

## ARTICLE 9. CHANGES AND AMENDMENTS

Any alterations, additions, or deletions to the terms of this Agreement which are required by changes in federal and state law or regulations are automatically incorporated into this Agreement without written amendment hereto, and shall become effective on the date designated by such law or regulations.

The parties hereto may alter or amend this Agreement. Such amendments that are mutually agreed upon by City and County in writing shall be incorporated into this Agreement.

## ARTICLE 10. SEVERABILITY

All parties agree that should any provision of this Agreement be determined to be invalid or unenforceable, such determination shall not affect any other term of this Agreement, which shall continue in full force and effect.

## ARTICLE 11. TITLES NOT RESTRICTIVE

The titles assigned to the various sections of this Agreement are for convenience only and are generally descriptive of the matters following. Titles shall not be considered restrictive of the subject matter of any section or part of this Agreement.

## ARTICLE 12. VENUE

Venue and jurisdiction of any suit, or cause of action arising under or in connection with this Agreement shall lie exclusively in Matagorda County, Texas.

## ARTICLE 13. NOTICES

All notices required by this Agreement shall be delivered in person or by United States mail, postage prepaid, and shall be addressed:

To Matagorda County:

Matagorda County  
Attn: County Judge  
1700 7<sup>th</sup> Street, Room 301  
Bay City, Texas 77414

To Palacios:

City of Palacios  
Attn: City Manager  
311 Henderson Ave  
Palacios, TX 77465

AGREED to and ADOPTED by the Commissioners Court of Matagorda Texas on the 16<sup>th</sup> day of September, 2019.

ATTEST:

  
STEPHANIE WURTZ  
COUNTY CLERK



MATAGORDA COUNTY

  
NATE MCDONALD  
COUNTY JUDGE

AGREED to and ADOPTED by governing body of the City of Palacios on the \_\_\_\_\_ day of \_\_\_\_\_, 2019.

ATTEST:

CITY OF PALACIOS

\_\_\_\_\_  
DAVID KOCUREK  
CITY MANAGER

\_\_\_\_\_  
GLEN SMITH  
MAYOR



GLEN SMITH – Mayor  
 JOHNNY TRAN –Councilmember Place 1  
 DONNA HARVEY SCHULMAN– Councilmember Place 2  
 MARY CROCKER – Councilmember Place 3  
 TROY LEWIS – Councilmember Place 4  
 WAYNE DODD – Councilmember Place 5  
 STEPHEN MCGOVERN – Councilmember Place 6

**CITY OF PALACIOS  
 CITY COUNCIL REGULAR MEETING MINUTES  
 September 24, 2019**

**REGULAR COUNCIL MEETING 7PM**

- CALL TO ORDER** – Mayor Glen Smith at 7:00 pm
- INVOCATION** – Councilmember Crocker
- PLEDGE OF ALLEGIANCE** – Councilmember Schulman
- PLEDGE TO TEXAS FLAG** – Councilmember Schulman
- PLEDGE TO PALACIOS FLAG** – Councilmember Schulman

**VISITOR / CITIZEN FORUM**

1. Patricia Loving thanked the Mayor and Council for the Proclamation for National Night Out. She then discussed her concern about Council approving an offer of incentives to a residential subdivision developer although there has been a lack of communication with the Planning Commission.
2. Chip Woolf stated that he supports the offer of incentives to a residential subdivision developer.
3. Michael Ferdinand discussed that Council to allow the City to enter into negotiations with a subdivision developer should it construct a minimum 19+ acre subdivision.

**PROCLAMATION – NATIONAL NIGHT OUT OCTOBER 1, 2019**

**ADMINISTRATIVE REPORTS**

1. Update on Downtown Revitalization Project – David Kocurek updated Council on the project
2. City Manager’s Report for October 2019 – City Manager David Kocurek reviewed his August 2019 report with Council
3. PEDC Open House September 25, 2019 from 4-6pm at Palacios Chamber Of Commerce – Michael Ferdinand invited everyone to the open house
4. Palacios Medical Clinic Box Supper Thursday, September 26, 2019 at 5:30 pm – David Kocurek reminded everyone about the box supper

**ITEMS TO BE CONSIDERED**

1. Discuss and consider approving the request by the Palacios Economic Development

Corporation to expend \$37,500 for the Downtown Revitalization Project to be allocated after the 30 day waiting period from a public hearing date of September 18, 2019.  
Councilmember McGovern motioned to approve the request by the Palacios Economic Development Corporation to expend \$37,500 for the Downtown Revitalization Project to be allocated after the 30 day waiting period from a public hearing date of September 18, 2019

Councilmember Tran seconded

There was no opposition

With no opposition, the motion carried

2. Discuss and consider action to approve the first reading of ORDINANCE 2019-O-9 amending section A2.04.004 of Appendix "A" Article A2.04 "Impoundment" of the Code of Ordinances of the City of Palacios, Texas to change the charges for the impoundment of unlicensed animals; containing a savings clause; repealing inconsistent ordinances; and providing for the effective date thereof.  
Councilmember Crocker motioned to approve the first reading of Ordinance 2019-O-9  
Councilmember McGovern seconded  
There was no opposition  
With no opposition, the motion carried
3. Discuss and consider approving Resolution 2019-R-19 approving an offer of incentives to a residential subdivision developer should it construct a minimum 19+ acre subdivision  
Councilmember McGovern motioned to approve Resolution 2019-R-19  
Councilmember Dodd seconded  
AYE votes - 6  
NAY votes – 1  
The motion carried
4. Discuss and consider action to approve the following consent agenda items:  
Minutes of the September 10, 2019 Regular Council Meeting  
Approve the absence of Councilmember Schulman from the September 10, 2019 Regular Council Meeting  
Minutes of the September 17, 2019 Special Council Meeting  
Approve the absence of Councilmember Tran and Councilmember Schulman from the September 17, 2019 Special Council Meeting  
Councilmember Crocker motioned to approve the consent agenda items  
Councilmember Lewis seconded  
There was no opposition  
With no opposition, the motion carried

#### **EXECUTIVE SESSION – There was no Executive Session**

In accordance with Chapter 551, Government Code, (Open Meetings Law) the Council May go into Executive (closed) session in order to:

Consult with its attorney (551.071)

Discuss Real Estate transaction (551.072)

Deliberation regarding prospective gifts or donation (551.073)

Discuss personnel matters (551.074)

Deliberation regarding security devices (551.076)

Discuss economic development negotiations (551.087)

**ADJOURN**

Councilmember Tran motioned to adjourn the meeting at 7:36 pm

Councilmember McGovern seconded

There was no opposition

With no opposition, the motion carried

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Glen Smith, Mayor

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Clissa Mills, City Secretary