



**CITY OF FLATONIA
SPECIAL CITY COUNCIL MEETING
Council Chambers/City Hall
125 E. South Main, Flatonia, Texas
May 9, 2023, AT 6:00 pm**

AGENDA

Opening Agenda

Call to Order
Invocation & Pledge

Other Business- Election

Canvassing and Officially declaring the results of the May 6, 2023, City of Flatonia election.

Swearing in of the new city council members elected on May 6, 2023.

Discussion

Discuss the status of the 2020 Audit.

Deliberation Agenda

- DA5.1.2023.1** Consider and take appropriate action on appointing new council members to replace the vacated chairs.
- DA5.1.2023.2** Consider and take appropriate action on nominating a new Mayor Pro Temp.
- DA5.1.2023.3** Consider and take appropriate action on FY 2020 audit as presented by Jamie Notz of Goldman, Hunt and Notz, LLC.

Adjournment

I, the undersigned authority do hereby certify that the Notice of Meeting was posted on the bulletin board outside the front door of the City Hall of the City of Flatonia, Texas, a place convenient and readily accessible to the general public at all times and said Notice was posted on the following date and time **May 5, 2023, by 5:00 p.m.** and remained so posted continuously for at least 72 hours preceding the scheduled time of said meeting.

Tamela Louvier, City Secretary, City of Flatonia

NOTICE OF ASSISTANCE AT THE PUBLIC MEETING

The Flatonia City Hall is wheelchair accessible. Access to the building is available at the primary entrance facing Main Street. Persons with disabilities who plan to attend this meeting and who may need auxiliary aids or services such as interpreters for persons who are deaf or hearing impaired, readers, or large print are requested to contact the City Secretary's Office at 361-865-3548 or by FAX 361-865-2817 at least two working days prior to the meeting so that appropriate arrangements can be made.

EXECUTIVE SESSION STATEMENT

The City Council reserves the right to adjourn into executive session at any time during the course of this meeting to discuss any of the matters listed above, as authorized by the Texas Government Code, Section 551.071 (Consultations with Attorney), 551.072 (Deliberations about Real Property), 551.073 (Deliberations Regarding Gifts and Donations), 551.074 (Personnel Matters), 551.076 (Deliberations Regarding Security Devices or Security Audits), 551.086 (Certain Public Power Utilities: Competitive Matters) and 551.087 (Deliberation Regarding Economic Development Negotiations).

Agenda Removal Notice

This Public Notice was removed from the official posting board at the Flatonia City Hall on the following date and time:

By: _____

Tamela Louvier,
City Secretary, City of Flatonia

CITY OF FLATONIA
 Agenda Summary Form

Agenda #	Title:
DA5.1.2023.1	Consider and take appropriate action on appointing new City Council members to replace the vacated chairs.
Summary:	
Consider and take appropriate action on appointing new City Council members to replace the vacated chairs.	
Option(s):	
<input type="checkbox"/> I move to approve the appointment of new City Council members to replace the vacated chairs.	
<input type="checkbox"/> If you are opposed to not 2 nd or make any motion. If a motion is not made, the item is dead.	
Kocian: _____ Eversole: _____ Sears: _____ Seale: _____	
Mayor Pro Tem Steinhauser: _____ Mayor Geesaman _____	

"Negative" motions are generally not permitted. To dispose of a business item, the motion should be phrased as a positive action to take, and then, if the group desires not to take this action, the motion should be voted down. The exception to this rule is when a governing body is asked to take action on a request and wishes to create a record as to why the denial is justified.

CITY OF FLATONIA
Agenda Summary Form

Agenda # DA5.1.2023.2	Title: Consider and take appropriate action on nominating a new Mayor Pro Tem.
Summary: Consider and take appropriate action on nominating a new Mayor Pro Tem.	
Option(s): <input type="checkbox"/> I move to approve the appointment of the new Mayor Pro Tem. <input type="checkbox"/> If you are opposed to not 2 nd or make any motion. If a motion is not made, the item is dead.	
Kocian: _____ Eversole: _____ Sears: _____ Seale: _____ Mayor Pro Tem Steinhauser: _____ Mayor Geesaman _____	

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CITY OF FLATONIA

Agenda Summary Form

Agenda # DA5.1.2023.3	Title: Consider and take appropriate action on FY 2020 audit as presented by Jamie Notz of Goldman, Hunt and Notz, LLC.
Summary: Consider and take appropriate action on FY 2020 audit as presented by Jamie Notz of Goldman, Hunt and Notz, LLC.	
Option(s): <input type="checkbox"/> I move to approve the FY 2020 audit as presented by Jamie Notz of Goldman, Hunt and Notz, LLC. <input type="checkbox"/> If you are opposed to not 2 nd or make any motion. If a motion is not made, the item is dead.	
Kocian: _____ Eversole: _____ Sears: _____ Seale: _____ Mayor Pro Tem Steinhauser: _____ Mayor Geesaman _____	

"Negative" motions are generally not permitted. To dispose of a business item, the motion should be phrased as a positive action to take, and then, if the group desires not to take this action, the motion should be voted down. The exception to this rule is when a governing body is asked to take action on a request and wishes to create a record as to why the denial is justified.

Goldman, Hunt & Notz, L.L.P.

Certified Public Accountants

DONALD G. GOLDMAN, CPA
D. DALE HUNT, CPA
JAMIE K. NOTZ, CPA, CVA*

MEMBERS OF:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

KEITH H. COX, CPA, CISA¹
STEPHANIE S. KOCH, CPA

*CERTIFIED VALUATION ANALYST

TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

¹CERTIFIED INFORMATION SYSTEMS AUDITOR

May 9, 2023

To the City Council
City of Flatonia, Texas
P. O. Box 329
Flatonia, Texas 78941

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flatonia, Texas (the City) for the year ended September 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 11, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended September 30, 2020. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information's financial statements were:

Management's estimate of the allowance for doubtful accounts is based on an analysis of collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the depreciation expense and accumulated depreciation relative to capital assets is based on the useful lives of assets in service, which are determined from experience with similar assets, vendor statements and warranties, and intended use, among others. All assets are depreciated using the straight-line method where the cost (or fair market value when donated) of the assets are expensed evenly over their useful lives. We evaluated the key factors and assumptions used to develop the depreciation expense and accumulated depreciation relative to capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

There are numerous assumptions related to the actuarial valuation used to calculate pension plan fiduciary net position (the value of assets available to pay pension benefits) and the total other post-employment benefits (OPEB) liability. Many of these assumptions are supported by census data of employees. Management should be aware of and able to support the discount rate which has an impact on the projected benefit payments expected to be paid from the available employer fiduciary net position. We evaluated the key factors and assumptions used to develop the pension plan fiduciary net position and the total OPEB liability in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

The completion of our audit was significantly delayed as a result of material turnover in the City's staff at various points during the audit engagement, as well as the City having prolonged periods where financial administrative positions were not filled with personnel with sufficient expertise in accounting to properly maintain City records. As a result of these issues, we were presented with several sets of financial records which were incomplete, and once complete financial records were made available, management was not able to provide sufficient appropriate audit evidence for all areas of the engagement. Furthermore, as the length of time to perform the engagement was extended while waiting for management to locate records and/or identify errors in the records, management was not able to provide detailed insight into the activity of the fiscal year under audit, as they were not employed by the City during the period under audit, and contacts with previous members of management were no longer available.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has reviewed and accepted the schedule of misstatements and has agreed to correct all such misstatements. The first attached fourteen-page schedule refers to the misstatements as a result of audit procedures that will be corrected by management. The second attached three-page schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 9, 2023.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. During the audit of the fiscal year ended September 30, 2020 we discussed the following matters with management:

Due in part to the issues noted in the *Difficulties Encountered in Performing the Audit* we were not able to obtain sufficient appropriate audit evidence around accounts payable balances, accrued payroll balances, and grant activity in order to issue an unmodified opinion on the opinion units impacted by these areas. The issues and the areas impacted have been communicated to management, and management is in agreement with our findings and conclusions regarding these opinion units.

The result of those discussions was not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, Budgetary Comparison Schedule, Required Supplementary Pension Information, and Required Total OPEB Liability Information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on combining statements, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

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

Very truly yours,

Goldman, Hunt & Notz, L.L.P.

Attachments

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Goldman, Hunt & Notz, L.L.P.

Certified Public Accountants

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*CERTIFIED INFORMATION SYSTEMS AUDITOR

To City Council and Sonya Bishop
City of Flatonia, Texas
P. O. Box 329
Flatonia, Texas 78941

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flatonia, Texas (the City) as of and for the year ended September 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in internal control to be material weaknesses:

Inconsistent Documentation Retention Procedures

During the course of the audit, the City was unable to provide us with sufficient appropriate audit evidence for material transactions that occurred during the period under audit. The inability of the City to produce this documentation suggests procedures around retaining documentation to support transactions are applied inconsistently. This inconsistency could potentially prevent the City from being able to effectively monitor transaction activity to ensure that transactions are properly recorded and are not fraudulent or erroneous in nature. Consequently, the City's inconsistent documentation retention procedures are considered to be a control deficiency.

To remedy the control deficiency related to documentation retention, the City would need to ensure that filing procedures and systems are in place to ensure that all material transactions of the City are properly substantiated with appropriate supporting documentation that conveys the purpose of the transaction and other key information necessary to ensure that the treatment of the transaction is appropriate.

Prolonged Vacancy in Critical Administrative Role Without Sufficient Coverage of Key Functions

During the course of the year under audit, a key administrative role was vacant for a prolonged period of time. Due to limited resources, a lack of cross training and a lack of segregation of duties (see below), the City was not able to effectively cover key functions of this administrative role, and as a consequence, financial records were not maintained in a consistent or timely manner, leaving material opportunity for potential misstatements of the City's financial records.

To correct this control deficiency, the City would need to ensure that sufficient cross training and staff are in place to ensure that all major administrative and financial accounting functions are sufficiently covered in the event of staff turnover, and position vacancies.

Lack of Segregation of Duties

Due to its limited resources, the City does not have sufficient staff to separate the performance of key business functions in such a way that results in oversight of these processes by personnel with the necessary skills and competencies to identify errors or potential fraud. While we provide a very limited degree of oversight over these processes as part of the performance of the audit, we cannot be considered part of the City's internal controls. Consequently, the inability of the City to establish the appropriate segregation of duties is considered to be a control deficiency.

To remedy the control deficiency related to the segregation of duties, the City would need to ensure that sufficient personnel are in place and that they have the appropriate knowledge and tools to be able to effectively separate key steps of high risk procedures, and provide sufficient oversight to assist with the identification of errors or possible fraud. We understand that this may not be feasible due to the limited size and resources of the City.

Lack of Consistent Supervision and Monitoring

Due to limited resources, a lack of cross training, a lack of segregation of duties, and a prolonged vacancy in a key administrative role during the period under audit and beyond (see above), the supervision and monitoring of key financial accounting functions is not considered to be consistent in nature. Without appropriate supervision and monitoring systems in place, the City is at a materially higher risk of misstating the financial statements due to error. In addition, the lack of supervision and monitoring creates an environment where there is a materially higher opportunity for fraud or errors to be committed by City employees.

To remedy this control deficiency, the City would need to ensure that sufficient personnel are in place and that they have the appropriate knowledge and tools to be able to effectively supervise and monitor the work of employees involved with the City's financial accounting administration. This can be achieved both through increased oversight from management and from governance.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control to be significant deficiencies:

Lack of Controls over Annual Financial Reporting

We have drafted the annual financial statements and related note disclosures of the City at the City's request. This was done because, due to its limited resources, the City's internal personnel did not possess all of the skills and competencies necessary to prepare its own annual financial statements in accordance with the highly technical pronouncements and requirements of generally accepted accounting principles. However, we cannot be considered part of the City's internal controls – specifically, we cannot be a part of the financial reporting internal control that addresses the preparation of accurate annual financial statements and related note disclosures. Consequently, the inability of the City to prepare its own financial statements and related note disclosures is considered to be a control deficiency. The fact that we prepare the financial statements may give users more confidence that the financial statements are correct; however, it does not eliminate the control deficiency.

To remedy the control deficiency related to the preparation of the annual financial statements, the City would need to ensure that sufficient personnel are in place and that they have the appropriate knowledge and tools (i.e., current accounting literature, current disclosure checklist, etc.) to be an effective element of the internal control process over financial reporting. We understand that this is not feasible because of the City's size and limited resources. Management may make a conscious decision to accept the degree of risk in this control deficiency because of cost or other considerations.

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

Goldman, Hunt & Notz, L.L.P.
May 9, 2023

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