



City of La Vernia
102 E. Chihuahua St.
La Vernia, Texas 78121
CITY COUNCIL MEETING

July 14, 2022
6:30 PM

AGENDA

1. Call to Order

2. Invocation & Pledge of Allegiance

3. Citizens to be Heard

(At this time, citizens who have filled out a registration form prior to the start of the meeting may speak on any topic they wish to bring to the attention of the governing body so long as that topic is not on the agenda for this meeting. Citizens may speak on specific agenda items when that item is called for discussion. During the Citizens to be Heard section no council action may take place and no council discussion or response is required to the speaker. A time limit of three minutes per speaker is permitted; the council may extend this time at their discretion)

4. Consent Agenda

(All consent agenda items are considered routine by City Council and will be enacted by one motion. There will be no separate discussion of these items unless a Councilmember requests an item be removed and considered separately.)

- A.** Minutes from the Regular City Council Meeting, May 12, 2022
- B.** La Vernia Police Department – Reports, Traffic Violations & Arrests; and Number of Occurrences by Offense for the month of May
- C.** Check Register and financial report for the month of May
- D.** Quarterly Investment Report: April-June

5. Presentation

- A.** Presentation from the Floresville Peanut Festival Court
- B.** Presentation of awards to the applicants from the planter contest.

6. Discussion/Action

- A.** Discuss and consider approval on appointing Dawn Polasek Barnett, Wilson County Tax Assessor-Collector, as the designated officer to calculate the No-New Revenue Tax Rate and the Voter-Approval Tax Rate for the 2022 tax year, as outlined in Chapter 26 of the Texas Tax Code.
- B.** Discuss and consider approval on an engagement letter for audit with Armstrong, Vaughn & Associates, P.C.
- C.** Discuss and consider approval to purchase a fuel-efficient vehicle for the Public Works Department.

7. Items Specific to Future Line Items on the Agenda

- Budget Workshop Dates

8. Adjourn

DECORUM REQUIRED

The City Council for the City of La Vernia 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 Open Meetings Act, Texas Governmental Code §551.071 (Consultation with Attorney), §551.072 (Deliberations about Real Property), §551.073 (Deliberations about Gifts and Donations), §551.074 (Personnel Matters), §551.076 (Deliberations about Security Devices), and §551.087 (Economic Development), and any other provisions under Texas law that permits a governmental body to discuss a matter in closed executive session.

The City of La Vernia City Council meetings are available to all persons regardless of disability. This facility is wheelchair accessible parking spaces are available. Requests for accommodations, should you require special assistance, must be made 48 hours prior to this meeting. Braille is not available. Please contact the City Secretary at (830) 779-4541 or email bporter@lavernia-tx.gov.

I, Brittani Porter, do hereby certify that the above Notice of Meeting of the governing body of the above named La Vernia City Council is a true and correct copy of said Notice and that I posted true and correct copy of said Notice on the bulletin boards, of the City Hall of said City of La Vernia, Texas, a place convenient and readily accessible to the general public at all times, and said Notice was posted on **July 8, 2022 at 4:30 P.M.** and remained so posted continuously for at least 72 hours proceeding the scheduled time of said meeting.

Signature of Agenda Approval: s/ Brittani Coble
City Secretary





City of La Vernia
102 E. Chihuahua St.
La Vernia, Texas 78121
CITY COUNCIL MEETING

May 12, 2022
6:30 PM

MINUTES

1. **Call to Order** – Mayor Gregory called the meeting to order at 6:30 PM and declared a quorum. All members present.
2. **Invocation & Pledge of Allegiance** – Invocation was led by Mayor Robert Gregory and all in attendance recited the Pledge of Allegiance and Texas Pledge.
3. **Citizens to be Heard** – there were no citizens to be heard.
4. **Consent Agenda**
(All consent agenda items are considered routine by City Council and will be enacted by one motion. There will be no separate discussion of these items unless a Councilmember requests an item be removed and considered separately.)
 - A. Minutes from the Regular City Council Meeting, April 14, 2022
 - B. La Vernia Police Department – Reports, Traffic Violations & Arrests; and Number of Occurrences by Offense for the month of April
 - C. Check Register and financial report for the month of April

MOTION: Councilwoman Recker made a motion to accept the consent agenda as presented, seconded by Councilman Oates. **Motion passed: 5-0.**

5. **Canvass**
 - A. Statement of Officers is completed
 - B. Newly elected Officers take Oath of Office

Judge Connie Terry was present to aide in the Statement and Oath of new Mayor and Council Members taking office.

6. **Presentation**
 - A. Presentation from Council & Staff for out-going Mayor, Robert Gregory who served 10 years as Mayor.
7. **Public Hearing**
 - A. Public Hearing to receive public comments regarding the granting of a Specific Use Permit for a drive-thru lane for a proposed McDonalds Restaurant with dine-in and drive-thru services located at 14101 US Hwy 87 W, La Vernia, Texas 78121.

Public Hearing was opened at 6:46 PM and was closed at 6:53 PM.

- B. Public Hearing to receive comments regarding the rezoning of 17.60 acres out of the Juan Delgado Survey, Abstract 8 being a portion of that certain tract called 39.32 acres of 243 Wiseman (Document 92763), La Vernia, TX 78121 from present classification of Residential Agriculture (RA) to General Commercial (C-2).

Public Hearing was opened at 6:54 PM and with no comments was closed at 6:55 PM.

- C. Public hearing to receive public comments regarding the annexation of 0.775-acre tract of land, owned by TSCP Enterprises LLC, located at 475 Bluebonnet Rd., A0008 J Delgado Sur, Tract 57 (U-1), Wilson County. Texas

Public Hearing was opened at 6:55 PM and with no public comments closed at 6:56 PM.

- D. Public hearing to receive public comments regarding the annexation of 1.196-acre tract of land located at 503 Bluebonnet Rd., A0008 J Delgado Sur, Tract 57B (U-1), Wilson County. Texas

Public Hearing was opened at 6:57 PM and with no public comments closed at 6:57 PM.

8. Discussion/Action

- A. Discuss and consider approval of the re-zone of 17.60 acres out of the Juan Delgado Survey, Abstract 8 being a portion of that certain tract called 39.32 acres of 243 Wiseman (Document 92763), La Vernia, TX 78121 from present classification of Residential Agriculture (RA) to General Commercial (C-2).

MOTION: Councilwoman Recker made a motion to approve the re-zone of 17.60 acres from Residential Agriculture to General Commercial, seconded by

- B. Discuss and consider funding the repairs using the American Rescue Funds (ARF) for the following:
 - 1. Filter #2 with Water Equipment and Treatment Services.
 - 2. purchase one (1) 30 cubic yard sludge mate (drying box) for the sewer plant on River Road

MOTION: Councilwoman Recker made a motion to approve funding repairs from the listed, seconded by Councilman Oates. Motion passed: 4-0.

- C. Discuss and consider approval of going out for bids for the FY 2022 Street Maintenance Project.

MOTION: Councilman Gilbert made a motion to approve going out for bids, seconded by Councilwoman Recker. Motion passed: 4-0.

- D. Discuss and consider approval of granted a temporary Certificate of Occupancy to Pollo El Gallo due to a delay in Electrical Company needing access to dumpster location.

MOTION: Councilwoman Recker approves a temporary Certificate of Occupancy for 180 days to Pollo El Gallo, seconded by Councilman Gilbert. Motion passes: 4-0.

- E. Discuss and consider action on the resignation of Commissioner Viola Robles from the Planning and Zoning Committee.

MOTION: Councilwoman Recker made a motion to accept the resignation of Commissioner Robles, seconded by Councilman Oates. Motion passed: 4-0.

- F. Discuss and consider action of the appoint of Joseph Witherell to the Planning and Zoning Board of Commissions.

MOTION: Councilwoman Recker made a motion to appoint Joseph Witherell to the Planning and Zoning Board of Commissions, seconded by Councilwoman Hutchinson. Motion passed: 4-0.

- G. Discuss and consider action on the resignation of Martin Poore from the Municipal Development District Board.

MOTION: Councilman Oates made a motion to approve the resignation of Martin Poore from MDD, seconded by Councilwoman Recker. Motion passed: 4-0.

- H. Discuss and consider action on the appointment of Sarah Migura to the La Vernia Municipal Development District Board of Directors.

MOTION: Councilwoman Recker made a motion to approve appointing Sarah Dodson to the La Vernia MDD, seconded by Councilwoman Hutchinson. Motion passed: 4-0.

- I. Discuss and consider approval of the appointment of Mayor Pro-Tem for the City of La Vernia.

MOTION: Councilman Oates made a motion to approve appointing Councilwoman Recker as Mayor Pro-Tem, seconded by Councilwoman Hutchinson. Motion passed: 3-0. (Councilwoman Recker obtained from the vote)

- J. Discuss and consider approval of recommending a member to fill the vacancy on City Council.

MOTION: Councilwoman Hutchinson approved the recommendation of filling the vacancy with Garrett Rabel, seconded by Councilman Gilbert. Motion passed: 4-0.

- K. Discuss and consider approval of appointing Councilman Oates to the Board of Trustees for CRWA.

Position is to fill the remaining year of previous Mayor, Robert Gregory's, term on Board of Trustees.

MOTION: Councilwoman Recker made a motion to approve appointing Councilman Oates to the Board of Trustees, seconded by Councilwoman Hutchinson. Motion passed: 4-0.

- L. Discuss and consider approval of establishing a K-9 Unit Program within the City of La Vernia – Police Department.

9. Ordinance

- A. Discuss and consider approval of Ordinance No. 051222-01 for the annexation of 475 Bluebonnet Rd. (TSCP Enterprises, LLC) Tract 57 (U-1), .775-acres, City of La Vernia, La Vernia, Texas 78121.

MOTION: Councilman Oates made a motion to approve the annexation of 475 Bluebonnet Rd. (TSCP Enterprises, LLC), seconded by Councilwoman Hutchinson. Motion passed: 4-0.

- B. Discuss and consider approval of Ordinance No. 051222-02 for the annexation of 503 Bluebonnet Rd., (BAoiCH Holdings LLC) Tract 57B (U-1), 1.196-acres La Vernia, Texas 78121.

MOTION: Councilwoman Recker made a motion to approve Ordinance No. 051222-02 for the annexation of 503 Bluebonnet Rd., Tract 57B, 1.196 acres La Vernia, Texas 78121, seconded by Councilman Gilbert. Motion passed: 4-0.

- C. Discuss and consider approval of Ordinance No. 051222-03 for a budget amendment to adopt the City of La Vernia rate and fee schedule and for various city services; consolidating those fees for convenience; and amending the City of La Vernia Code of Ordinances.

MOTION: Councilwoman Recker made a motion to approve Ordinance No. 051222-03 except for alcohol fees, seconded by Councilman Oates. Motion passed: 4-0.

- D. Discuss and consider approval of Ordinance No. 051222-04 granting of a Specific Use Permit for a drive-thru lane for a proposed McDonalds Restaurant with dine-in and drive-thru services located at 14101 US Hwy 87 W, La Vernia, Texas 78121

MOTION: Councilman Oates made a motion to approve Ordinance No 051222-04, granting a specific use permit with a CMU barrier running the length of the SW side of property to gas easement and a wooden privacy fence of 6-8' in height that will run the length of the property to include shrubbery, seconded by Councilman Gilbert. Motion passed: 4-0.

10. Resolution

- A. Discuss and consider approval of Resolution No. 051222-01 to renew the City of La Vernia's membership with Texas SmartBuy Program.

MOTION: Councilman Gilbert made a motion to approve Resolution No. 051222-01 to renew the City of La Vernia's membership with Texas SmartBuy Program, seconded by Councilwoman Hutchinson. Motion passed: 4-0.

- B. Discuss and consider approval of Resolution No. 051222-02 for a license agreement with Lower Colorado River Authority (LCRA) to place communication equipment of City of La Vernia Storage Tank located at 440 Bluebonnet Rd.

MOTION: Councilman Oates made a motion to approve Resolution No. 051222-02 for the license agreement with LCRA, seconded by Councilman Gilbert. Motion passed: 4-0.

- C. Discuss and consider approval of Resolution No. 051222-03 authorizing the City Administrator to declare certain city property surplus and authorizing the sale of said property in the manner most advantageous to the City of La Vernia.

MOTION: Councilwoman Recker made a motion to approve Resolution NO. 051222-03 authorizing the City Administrator to declare certain city property surplus and authorizing the sale of said property, seconded by Councilwoman Hutchinson. **Motion passed: 4-0.**

11. Update

12. Items Specific to Future Line Items on the Agenda

13. Adjourn – Councilwoman Hutchinson made a motion to adjourn the meeting, seconded by Councilman Oates. Meeting was adjourned at 8: 30 PM all members were in favor.

Martin Poore, Mayor

ATTEST:

Brittani Porter, City Secretary

From: Dawn Polasek Barnett <dbarnett@wilsoncountytexas.gov>
Sent: Friday, June 24, 2022 3:21 PM
To: Yvonne Griffin
Subject: 2022 Tax Rate Calculation
Attachments: 2022 TRCW.Taxing Units Other Than School Districts or Water Districts.highlighted.pdf

Good afternoon,

I am beginning to prepare for the 2022 Tax Rate Calculations. I have attached the 2022 Tax Rate Calculation Worksheet that will be used to calculate your entities tax rate. Please complete all highlighted areas. The appraisal district should be certifying the appraisal roll on or before July 25.

Under Section 26.04 (c) of the Texas Tax Code, each taxing entity must designate an officer or employee designated by the governing body to calculate the tax rate each year. In order for me to calculate your 2022 tax rate, please place this on your next agenda:

Discuss and take action (approve or disapprove) on appointing Dawn Polasek Barnett, Wilson County Tax Assessor-Collector, as the designated officer to calculate the No-New Revenue Tax Rate and the Voter-Approval Tax Rate for the 2022 tax year, as outlined in Chapter 26 of the Texas Tax Code.

Please return your court approval along with the completed 2022 Tax Rate Calculation Worksheet as soon as possible.

Sincerely,
Dawn Polasek Barnett, PCC, CTOP, PCAC
Wilson County Tax Assessor-Collector
1 Library Lane
Floresville, Texas 78114
(830) 393-7313 phone
dbarnett@wilsoncountytexas.gov
www.wilsoncountytexas.gov/page/wilson.County.Assessor.Collector

PCC - Professional County Collector
CTOP - County Tax Office Professional
PCAC - Professional County Assessor-Collector

WARNING: This e-mail and any attachments are covered by the Electronic Communications Privacy Act 18 U.S.C. 2510 et seq., are expressly intended to be private and confidential, and subject to the work product and client privileges, which are not waived in any manner. If you have received this message in error, which means that it was not addressed to you directly from Dawn P. Barnett, then please contact me immediately at 830-393-7313.



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

June 20, 2022

City of La Vernia, Texas

The following represents our understanding of the services we will provide the City of La Vernia.

You have requested that we audit the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of La Vernia, as of September 30, 2022, and for the year then ended and the related notes to the financial statements, which collectively comprise City of La Vernia's basic financial statements as listed in the table of contents. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

Our audit will be conducted with the objectives of our expressing an opinion on each opinion unit. The objectives of our audit of the financial statements are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America (GAAS) will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, and schedule of funding progress for defined benefit pension plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by accounting principles generally accepted in the United States of America.

This RSI will be subjected to certain limited procedures but will not be audited:

1. Management's Discussion and Analysis
2. Budgetary Comparison Schedule – General Fund and major special revenue funds
3. Schedule of Changes in Net Pension Liability
4. Schedule of Contributions to Pension
5. Schedule of Changes in Other Post-employment Benefit Liability

Supplementary information other than RSI will accompany City of La Vernia's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and perform certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. We intend to provide an opinion on the following supplementary information in relation to the financial statements as a whole:

1. Combining fund statements – Nonmajor Funds
2. Comparative fund statements for the major funds

Audit of the Financial Statements

We will conduct our audits in accordance GAAS. As part of an audit of financial statements in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements (whether caused by errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations) may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS.

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any other periods.

We will issue a written report upon completion of our audit of City's basic financial statements. Our report will be addressed to City Council. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s) to our auditor's report, or if necessary, withdraw from the engagement. If our opinions on the basic financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

Management Responsibilities

Our audit will be conducted on the basis that management acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
2. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
3. For identifying, in its accounts, all federal awards received and expended during the period and the federal programs under which they were received;
4. For maintaining records that adequately identify the source and application of funds for federally funded activities;
5. For preparing the schedule of expenditures of federal awards (including notes and noncash assistance received) in accordance with the Uniform Guidance;
6. For designing, implementing, and maintaining effective internal control over federal awards that provides reasonable assurance that the entity is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards;
7. For identifying and ensuring that the entity complies with federal laws, statutes, regulations, rules, provisions of contracts or grant agreements, and the terms and conditions of federal award programs, and implementing systems designed to achieve compliance with applicable federal statutes, regulations, and the terms and conditions of federal award programs;
8. For disclosing accurately, currently, and completely the financial results of each federal award in accordance with the requirements of the award;
9. For identifying and providing report copies of previous audits, attestation engagements, or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented;
10. For taking prompt action when instances of noncompliance are identified;
11. For addressing the findings and recommendations of auditors, for establishing and maintaining a process to track the status of such findings and recommendations and taking corrective action on reported audit findings from prior periods and preparing a summary schedule of prior audit findings;
12. For following up and taking corrective action on current year audit findings and preparing a corrective action plan for such findings;
13. For submitting the reporting package and data collection form to the appropriate parties;
14. For making the auditor aware of any significant contractor relationships where the contractor is responsible for program compliance;
15. To provide us with:
 - a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements including the disclosures, and relevant to federal award programs, such as records, documentation, and other matters;
 - b. Additional information that we may request from management for the purpose of the audit;
 - c. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence;
16. For adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year period(s) under audit are immaterial, both individually and in the aggregate, to the financial statements as a whole;
17. For acceptance of nonattest services, including identifying the proper party to oversee nonattest work;
18. For maintaining adequate records, selecting and applying accounting principles, and safeguarding

- assets;
19. For informing us of any known or suspected fraud affecting the entity involving management, employees with significant role in internal control and others where fraud could have a material effect on compliance;
 20. For the accuracy and completeness of all information provided;
 21. For taking reasonable measures to safeguard protected personally identifiable and other sensitive information; and
 22. For confirming your understanding of your responsibilities as defined in this letter to us in your management representation letter.

With regard to the supplementary information referred to above, you acknowledge and understand your responsibility: (a) for the preparation of the supplementary information in accordance with the applicable criteria; (b) to provide us with the appropriate written representations regarding supplementary information; (c) to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information; and (d) to present the supplementary information with the audited financial statements, or if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and our report thereon.

As part of our audit process, we will request from management, written confirmation concerning representations made to us in connection with the audit.

We understand that your employees will prepare all confirmations we request and will locate any documents or invoices selected by us for testing.

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

Nonattest Services

With respect to any nonattest services we perform:

1. Financial statement preparation
2. Assistance with depreciation schedule
3. Assistance with adjusting entries (if any)

We will not assume management responsibilities on behalf of the City. However, we will provide advice and recommendations to assist management of the City in performing its responsibilities.

The City's management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

Our responsibilities and limitations of the nonattest services are as follows:

- We will perform the services in accordance with applicable professional standards.
- The nonattest services are limited to the previously outlined. Our firm, in its sole professional

judgment, reserves the right to refuse to do any procedure or take any action that could be construed as making management decisions or assuming management responsibilities, including determining account coding and approving journal entries.

Other

We anticipate conducting year end audit procedures in November and issuing a draft report for management's review by the end of December.

Phil Vaughan is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

Our fee for the audit will not exceed \$18,600. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

During the course of the audit we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

Regarding the electronic dissemination of audited financial statements, including financial statements published electronically on your Internet website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Professional standards prohibit us from being the sole host and/or the sole storage for your financial and non-financial data. As such, it is your responsibility to maintain your original data and records and we cannot be responsible to maintain such original information. By signing this engagement letter, you affirm that you have all the data and records required to make your books and records complete.

The audit documentation for this engagement is the property of Armstrong, Vaughan & Associates, P.C. and constitutes confidential information. However, we may be requested to make certain audit documentation available to state regulators and federal agencies and the U.S. Government Accountability Office pursuant to authority given to it by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of Armstrong, Vaughan & Associates, P.C.'s personnel. Furthermore, upon request, we may provide copies of selected audit documentation to these agencies and regulators. The regulators and agencies may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies. We agree to retain our audit documentation or work papers for a period of at least five years from the date of our report.

Further, we will be available during the year to consult with you on financial management and accounting matters of a routine nature.

During the course of the audit, we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

You agree to inform us of facts that may affect the financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued.

At the conclusion of our audit engagement, we will communicate to Council the following significant findings from the audit:

- Our view about the qualitative aspects of the entity's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

If any dispute arises among the parties hereto, the parties agree to first try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Rules for Professional Accounting and Related Services Disputes, before resorting to litigation. The costs of any mediation proceeding shall be shared equally by all parties.

Client and accountant both agree that any dispute over fees charged by the accountant to the client will be submitted for resolution by arbitration in accordance with the Rules for Professional Accounting and Related Services Disputes of the American Arbitration Association. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that, in the event of a dispute over fees charged by the accountant, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury and instead we are accepting the use of arbitration for resolution.

We appreciate the opportunity to be of service to the City of La Vernia and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign and return it to us.

Respectfully,



Armstrong, Vaughan & Associates, P.C.

RESPONSE:

This letter correctly sets forth the understanding of the City of La Vernia.

By: _____

Title: _____ Date: _____