

**MINUTES OF PROCEEDINGS
CITY COMMISSION SPECIAL MEETING
Tuesday, July 31, 2018**

Be it known that the City of La Feria City Commission met in Special Session on **Tuesday, July 31, 2018 at 6:00 P.M.** in the City Commission Meeting Room, 115 E. Commercial Avenue, La Feria, Texas 78559. The purpose of said meeting was to consider and take action on those items of City Business as was duly posted by agenda in accordance with State Open Meetings Law. The following City Commission members were present at said meeting.

DETERMINE QUORUM PRESENT AND CALL MEETING TO ORDER – MAYOR

Mayor Maldonado declared a quorum present and called the meeting to order.

Attendee Name	Title	Status
Olga H. Maldonado	Mayor	Present
Jesse Zuniga	Commissioner	Present
Eric Hoff	Mayor Pro-Tem/ Commissioner	Absent
Julian Guevara, Jr.	Commissioner	Present
Esmeralda Lozano	Commissioner	Present
Donato Garcia	Commissioner	Present

The following staff members were present at said meeting:

Mr. Jaime Sandoval, City Manager
Ms. Rebecca Hayward, City Attorney
Ms. Amanda Morales, City Secretary
Mr. Frank Rios, Finance Director

4. PRESENTATION AND POSSIBLE ACTION TO ACCEPT FINANCIAL AUDIT FOR FISCAL YEAR ENDING SEPTEMBER 30, 2017.

Mr. Sandoval explained that this audit would show a continuation of the issues found in the previous year's audit with regard to a negative fund balance. Although the current administration has implemented a corrective action plan and made significant changes to daily operations, it may still be several years before the city is able to overcome the current financial situation.

Mr. Quinten Anderson of Carr, Riggs & Ingram, LLC presented the financial statement for the fiscal year ending September 30, 2017. He noted a negative fund balance of -\$2,779,287 largely due to significant debt obligation to the 2015 Certificate of Obligation fund that was improperly depleted in previous years and grant reimbursements that have yet to come in to the city. The grant reimbursements account for roughly 1.6 million dollars.

In a section of the audit titled Schedule of Findings and Questioned Costs, Mr. Anderson noted that the audit found material weaknesses in the city's financial statements related to the city's inability to maintain a set of accurate and timely accounting records. He suggested that the city develop detailed written accounting procedures, including specific annual and periodic closing procedures and/or checklists and if possible, the city should evaluate the cost/benefit of hiring additional staff and/or assigning new responsibilities to Finance Department personnel to free up time for the Finance Department to properly complete the required tasks to properly state the accounting records in a timely manner.

Other findings in this section related to the Utility system revenue bond reserve fund that had funds improperly drawn during the 2016 fiscal year. The city is currently unable to replenish the funds due to continued shortfalls in cash and available resources.

Commissioner Lozano asked Mr. Rios to explain to the Commission the City's financial condition when he arrived in his position and where he sees the city going financially.

Mr. Rios replied that when he took over as Finance Director in December of 2016, the city was beginning the audit for the previous fiscal year and, with all of the problems encountered at that time regarding the misappropriation of funds from various City accounts, the audit took his focus off of other

daily tasks. He explained that while he and his staff were able to reign in the city's finances, there is still work to be done to recover from the previous administration's mismanagement. As for where the City is going from here, Mr. Rios stated that he could not recommend making further cuts to the city's budgets and services going forward without the citizens being negatively affected and city departments being left unable to effectively operate. He suggested that the Commission would have to make the tough decision to increase fees and/or taxes to ensure that the city is able to operate and provide services at an acceptable level until the city is in a better financial position. Commissioner Zuniga made a motion to accept the financial audit for fiscal year ending September 30, 2017. The motion was seconded by Commissioner Garcia and passed unanimously.

5. **ADJOURN.**

There being no further business to consider, Commissioner Zuniga made a motion to adjourn the meeting. The motion was seconded by Commissioner Garcia and passed unanimously.

APPROVED:



Olga H. Maldonado, Mayor

ATTEST:



Amanda Morales, City Secretary