



Mayor Oscar D. Montoya
Commissioner Joe Martinez
Commissioner Armando Garcia

Commissioner Jacob Howell
Mayor Pro-Tem Ruben Saldana
City Manager Alberto Perez

MERCEDES CITY COMMISSION
REGULAR MEETING
SEPTEMBER 5, 2023 – 6:30 P.M.
MERCEDES CITY HALL – COMMISSION CHAMBERS
400 S. OHIO AVE., MERCEDES, TX 78570

“At any time during the course of this meeting, the City Commission may retire to Executive Session under Texas Government Code 551.071(2) to confer with its legal counsel on any subject matter on this agenda in which the duty of the attorney to the City Commission under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Chapter 551 of the Texas Government Code. Further, at any time during the course of this meeting, the City Commission may retire to Executive Session to deliberate on any subject slated for discussion at this meeting, as may be permitted under one or more of the exceptions to the Open Meetings Act set forth in Title 5, Subtitle A, Chapter 551, Subchapter D of the Texas Government Code.”

1. Call Meeting to Order

2. Establish Quorum

3. Invocation

4. Pledge of Allegiance

5. Presentations

- a. Proclamation for Dr. Hector P. Garcia

6. Open Forum-

Maximum length of time of forum is 30 minutes with individual presentations limited to a maximum of two minutes. The City Commission can take no formal action on any city related matter discussed during the open forum. Persons who wish to participate in this portion of the meeting shall sign up as they arrive, indicating the topic about which they wish to speak. No one will be able to sign up **AFTER 6:20 PM**. The information required for signing up must be completed by that time. No public comments will be allowed during any agenda item unless recognized by the Mayor or if the item requires a public hearing. State your name and address before beginning your presentation. Pursuant to Tex. Gov't. Code §551.007 the scope of the right to speak is limited to agenda items.

There can be no comments about specific employees. By Charter, the City Manager is exclusively given authority over personnel matters, including complaints against city personnel. All complaints against city personnel will be addressed pursuant to Mercedes Personnel Policies.

Comments must not be repeated and the Commission is not required to answer any question from the public. Any person who decides to directly question any member of the City Commission will be asked to discontinue their comments. The City Secretary's office representative will be responsible for notifying each presenter that their five-minute time limit has expired.

7. Consent Agenda: *(All matters listed under Consent Agenda are considered to be routine by the Governing Body and will be enacted by one motion. There will be no separate discussion of these items; however, if discussion is desired, that item(s) will be removed from the Consent Agenda and will be considered separately.)*

- a. Approval of Minutes for Meeting(s) held August 21, 2023 & August 28, 2023

8. Ordinances/Resolutions: *Present, Discuss, Consider, and Possibly Take Action Regarding:*

- a. Approval of First Reading of Ordinance 2023-12 amending the Personnel Policy Manual

9. Management Items: *Present, Discuss, Consider, and Possibly Take Action Regarding:*

- a. Approval of Reappointment of Members to the Keep Mercedes Beautiful Committee
- b. Approval to go out for RFP's for Health Insurance and Agent of Record

10. Bids/Contracts: *Present, Discuss, Consider, and Possibly Take Action Regarding:*

- a. Approval to Renew Agreement for Auditing Services with Adrian Webb

11. Executive Session: *Chapter 551, Texas Government Code, Section 551.071 (Consultation with Attorney), Section 551.072 (Deliberation regarding Real Property), Section 551.074 (Personnel Matters) and Section 551.087 (Economic Development)*

- a. Discussion regarding Project N. Valdemar – Section 551.087
- b. Consultation with Attorney regarding contracts for services – Section 551.071
- c. Discussion with City Manager regarding personnel matters. – Section 551.074
- d. Consultation with Attorney regarding update on litigation – Section 551.071

12. Open Session: *Present, Discuss, Consider, and Possibly Take Action Regarding:*

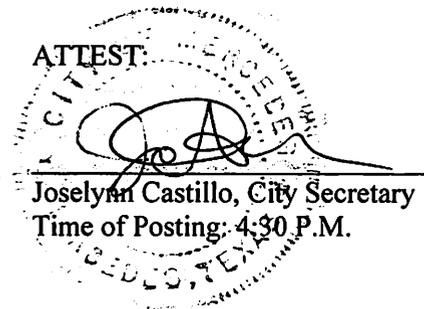
- a. Project N. Valdemar
- b. Item B from Executive Session
- c. Item C from Executive Session
- d. Item D from Executive Session

13. Adjournment

Notice is hereby given that the City Commissioners of the City of Mercedes, Texas will meet in a **Regular Meeting** on Tuesday, September 5, 2023 at 6:30 P.M. Said meeting will be conducted in the Commission Chambers of the City Hall located at 400 S. Ohio, Mercedes, Texas for the purpose of considering and taking formal action regarding the items listed above. This notice is given in accordance with Vernon's Texas Codes Annotated, Texas Government Code, Section 551.001 et. Seq.

WITNESS MY HAND AND SEAL OF THE CITY THIS THE 1ST DAY OF SEPTEMBER, 2023.

ATTEST:

The seal of the City of Mercedes, Texas, is a circular emblem. It features a central five-pointed star surrounded by a wreath. The words "CITY OF MERCEDES" are inscribed along the top inner edge, and "TEXAS" is at the bottom. The seal is partially obscured by a signature and a horizontal line.

Joselyn Castillo, City Secretary
Time of Posting: 4:30 P.M.

ACCESSIBILITY STATEMENT

The City of Mercedes recognizes its obligations under the Americans with Disabilities Act of 1990 to provide equal access to individuals with disabilities. Please contact the City Manager's Office at (956) 565-3114 at least 48 hours in advance of the meeting with requests for reasonable accommodations, including requests for a sign language interpreter.

**MERCEDES CITY COMMISSION
SPECIAL MEETING
AUGUST 21, 2023 – 6:30 P.M.
MERCEDES CITY HALL – COMMISSION CHAMBERS**

| | | |
|-------------------------|---|---|
| MEMBERS PRESENT: | Oscar D. Montoya Sr. Ruben Saldana Jacob Howell Armando Garcia Joe Martinez | Mayor Mayor Pro-Tem Commissioner Commissioner Commissioner |
| STAFF PRESENT: | Alberto Perez Martie Garcia-Vela Joselynn Castillo Javier Ramirez Nereida Perez Michael Rocha Kristine Longoria Marisol Vidales Francisco Sanchez Reynaldo Alegria | City Manager City Attorney City Secretary Asst. City Manager Finance Director I.T Manager Human Resources Library Director Int. Police Chief Public Works Director |

OTHERS PRESENT: Meredith Hernandez, Jesus Rodriguez

1. Call Meeting to Order

Mayor Montoya welcomed everyone and called the meeting to order at 6:30 P.M.

2. Establish Quorum

Four Members of the Commission were present at this time which constitutes a quorum. Commissioner Martinez was stuck in traffic and arrived during the presentations.

3. Invocation

Mayor Pro-Tem Saldana said the invocation.

4. Pledge of Allegiance

Commissioner Howell led in the pledge of allegiance.

5. Presentations

a. Recognition of Mr. Orlando Trevino

Mayor Montoya informed the public about Mr. Trevino’s accomplishments which include helping adults with special needs gain the social skills. Thanked Mr. Trevino for going the extra mile. Ms. Imelda Trevino, his mother-in-law, Mr. Trevino’s parents and daughter and son-in-law. Mr. Trevino thanked the commission for recognizing him for the national award he received for his program. One of his students finished his certificate to become a security guard and showed to other students that they can do it. Commissioner Martinez arrived at this time. Commissioner Howell expressed his appreciation for the dedication Mr. Trevino has for the students and the community. Commissioner Garcia congratulated Mr. Trevino.

b. Proclamation for Ms. Elida “Leah” Hinojosa

Mayor Montoya read the proclamation for Ms. Elida “Leah” Hinojosa for her 100 years of life. Mayor Montoya stated the family could not be present for the meeting but he will be delivering the proclamation.

6. Open Forum-

No one signed up for open forum.

7. Consent Agenda:

a. Approval of Minutes for Meeting(s) held July 18, 2023 & August 10, 2023

Commissioner Martinez motioned to approve. Mayor Pro-Tem Saldana seconded. Upon a called vote, the motion passed unanimously.

8. Ordinances/Resolutions: *Present, Discuss, Consider, and Possibly Take Action Regarding:*

- a. **Approval of Resolution 2023-17 in support of the “One Region, One Voice” initiative.**
Commissioner Martinez motioned to approve and forego the reading. Commissioner Howell seconded. Commissioner Martinez had a concern with section 3 for the financial costs. Mayor Montoya stated that this is still in the works and all cities will be participating. Mr. Perez stated they reached out for partnership and to possibly do tours of the city. Mayor Pro-Tem Saldana stated they had a great meeting with the County Judge about bringing all the cities together for this initiative. Commissioner Howell is in favor of the initiative. Mayor Ramiro Garza from Edinburg spearheaded this initiative. Upon a called vote, the motion passed unanimously.
 - b. **Approval of First Reading of Ordinance 2023-07 to rezone Garden Park Lot 11 Block 19 from Class “B” Two Family Residential to Class “B” Business Applicant: Juan B. Vargas**
Commissioner Martinez motioned to approve and forego the reading. Mayor Pro-Tem Saldana seconded. Commissioner Martinez supports local business and applauds the business for expanding. Upon a called vote, the motion passed unanimously.
 - c. **Approval of First Reading of Ordinance 2023-08 to rezone Mercedes Original Townsite Lot 6 Block 21 from Class “B” Two Family Residential to Class “C” Apartment Applicant: Mercedes Metro Investments – Mark Van Berg**
Commissioner Martinez motioned to approve and forego the reading. Commissioner Garcia seconded. Mr. Ramirez stated this is an effort to clean up the zoning areas in the city. Mr. Van Berg applied to rezone to make it a multi-family and will now be required to pave. Upon a called vote, the motion passed unanimously.
 - d. **Approval of First Reading of Ordinance 2023-09 to rezone South Campacuas ADDN E101.80’ - W316.80’ N CLN FT Lot 136, 1.06 Acres from Class “B” Business to Class “C” Apartment District Applicant: John & Maida Pajares**
Commissioner Howell motioned to approve and forego the reading. Commissioner Martinez seconded. Mr. Ramirez stated they have the property next to Tacolandia and allowed an easement for the city to add lines. Mr. Ramirez stated the northern part of the property will be commercial and will have apartments in the back. At a question, Mr. Ramirez stated it a mix use. Upon a called vote, the motion passed unanimously.
 - e. **PUBLIC HEARING regarding the proposed budget for FY 23-24.**
Mayor Montoya opened the Public Hearing at 6:58 P.M.
There were no citizens commenting on the Public Hearing for the proposed budget for FY 23-24.
Mayor Montoya closed the Public Hearing at 7:01 P.M.
 - f. **Approval of first reading and second reading as per section 2.13 of the City Charter to adopt emergency Ordinance 2023-10 to adopt the City of Mercedes Budget for FY 23-24.**
Commissioner Martinez motioned to approve the first and second reading. Commissioner Howell seconded. Commissioner Howell, Commissioner Garcia, Mayor Pro-Tem Saldana, Commissioner Martinez and Mayor Montoya voted in favor of the budget. Upon a called vote, the motion passed unanimously.
- 9. Bids/Contracts: Present, Discuss, Consider, and Possibly Take Action Regarding:**
- a. **Approval to Ratify the Interlocal Cooperation Agreement between the City of Weslaco and the City of Mercedes for the housing of prisoners.**
Commissioner Martinez motioned to approve. Commissioner Garcia seconded. At a question, Interim Chief Sanchez stated there is a 30 written notice to opt out of the agreement. Mayor Pro-Tem Saldana asked if the city can keep the contract even if the PD building opens up. Interim Chief Sanchez stated they have a great relationship with City of Weslaco. Mayor Montoya stated that to have a city to have an unsecure location the citizens of Mercedes deserve much better. Upon a called vote, the motion passed unanimously.
 - b. **Approval of Fiscal Year 2023-2024 Interlocal Agreement between the City of Mercedes and the County of Hidalgo Urban County Program**
Commissioner Martinez motioned to approve. Commissioner Garcia seconded. Mayor Pro-Tem Saldana stated the city has 4 years to spend the funds. One of the projects is Virginia, 10th Street. Mr. Ramirez stated that the funds will remain the same but will be mostly for 10th Street. Ms. Perez stated that Urban County funds are allotted to the city and is not part of the budget. Mr. Perez stated that the city needs to follow the process set by Urban County and they manage all the procurement process. Upon a called vote, the motion passed unanimously.

10. Monthly Departmental Reports:

a. Library, Finance, Public Works, Recreation, Fire, City Sec/HR

Mr. Perez recognized the new public works director Mr. Reynaldo Alegria. Mr. Alegria stated he has a lot of expectations for himself and staff. He is up for the challenge and has begun handling some of the tasks that were pending. He stated he will have a team of four staff members for the storm. Mr. Alegria informed the Commission regarding his background. He is here to help and serve the community. Mayor Pro-Tem Saldana welcomed Mr. Alegria to the City of Mercedes. Mayor Montoya stated that the trash accumulated on the inlets is what was stopping the water flow at the last rain event.

Commissioner Martinez motioned to go into executive session. Mayor Pro-Tem Saldana seconded. Upon a called vote, the motion passed unanimously. The meeting went into executive session at 7:26 p.m.

11. Executive Session: Chapter 551, Texas Government Code, Section 551.071 (Consultation with Attorney), Section 551.072 (Deliberation regarding Real Property), Section 551.074 (Personnel Matters) and Section 551.087 (Economic Development)

a. Discussion with City Manager regarding personnel matters. – Section 551.074

b. Consultation with Attorney regarding update on litigation – Section 551.071

Mayor Montoya called the meeting back to order at 8:16 p.m. Mayor Montoya stated that Vernon Hoover that he was watching ESPN and a softball coach was asked what was the toughest team they have played and they said Mercedes, TX. Commissioner Garcia announced the Texas Street Festival.

12. Open Session: Present, Discuss, Consider, and Possibly Take Action Regarding:

a. Item A from Executive Session

b. Item B from Executive Session

No Action was taken on item A and B from executive session.

13. Adjournment

Commissioner Martinez motioned to adjourn. Commissioner Garcia seconded. Upon a called vote, the motion passed unanimously. The meeting adjourned at 8:18 P.M.

**MERCEDES CITY COMMISSION
SPECIAL MEETING
AUGUST 28, 2023 – 6:30 P.M.
MERCEDES CITY HALL – COMMISSION CHAMBERS**

MEMBERS PRESENT: Oscar D. Montoya Sr. Mayor
Ruben Saldana Mayor Pro-Tem
Jacob Howell Commissioner
Armando Garcia Commissioner
Joe Martinez Commissioner

STAFF PRESENT: Alberto Perez City Manager
Martie Garcia-Vela City Attorney (Virtually)
Joselynn Castillo City Secretary
Javier Ramirez Asst. City Manager
Nereida Perez Finance Director
David Jimenez I.T Manager
Marisol Vidales Library Director
Reynaldo Alegria Public Works Director

OTHERS PRESENT: Ruth Valdez, Meredith Hernandez

1. CALL MEETING TO ORDER

Mayor Montoya welcomed everyone and called the meeting to order at 6:30 P.M.

2. ESTABLISH QUORUM

All members of the Commission were present which constitutes a full quorum.

3. INVOCATION

Saldana

4. PLEDGE OF ALLEGIANCE

Howell

5. OPEN FORUM-

No one signed up for open forum.

Commissioner Martinez motioned to go into executive session. Commissioner Garcia seconded. Upon a called vote, the motion passed unanimously. The meeting went into executive session at 6:33 P.M.

6. Executive Session: Chapter 551, Texas Government Code, Section 551.071 (Consultation with Attorney), Section 551.072 (Deliberation regarding Real Property), Section 551.074 (Personnel Matters) and Section 551.087 (Economic Development)

- a. Discussion with City Manager regarding personnel matters. – Section 551.074**
- b. Consultation with Attorney regarding update on litigation – Section 551.071**
- c. Consultation with Attorney and Financial Advisors regarding Tax Rate – Section 551.071**
- d. Consultation with Attorney and City Manager regarding Insurance Assistance – Section 551.071**

Mayor Montoya called the meeting back to order at 7:20 P.M.

7. OPEN SESSION: Present, Discuss, Consider, and Possibly Take Action Regarding:

- a. Item A from Executive Session – No Action was taken on this item.**
- b. Item B from Executive Session – No Action was taken on this item.**
- c. Item C from Executive Session – No Action was taken on this item.**
- d. Item D from Executive Session – No Action was taken on this item.**

8. CONSENT AGENDA:

- a. Approval of First Reading of Ordinance 2023-07 to rezone Garden Park Lot 11 Block 19 from Class “B” Two Family Residential to Class “B” Business Applicant: Juan B. Vargas**
- b. Approval of First Reading of Ordinance 2023-08 to rezone Mercedes Original Townsite Lot 6 Block 21 from Class “B” Two Family Residential to Class “C” Apartment Applicant: Mercedes Metro Investments – Mark Van Berg**

- c. **Approval of First Reading of Ordinance 2023-09 to rezone South Campacuas ADDN E101.80' - W316.80' N CLN FT Lot 136, 1.06 Acres from Class "B" Business to Class "C" Apartment District Applicant: John & Maida Pajares**

Commissioner Martinez motioned to approve and waive the second readings for consent agenda items A through C. Commissioner Garcia seconded. Upon a called vote, the motion passed unanimously.

9. **Ordinances/Resolutions:** *Present, Discuss, Consider, and Possibly Take Action Regarding:*

- a. **PUBLIC HEARING regarding the proposed tax rate for Tax Year 2023.**

Mayor Montoya opened the Public Hearing at 7:21 P.M.

There were no citizens commenting on the Public Hearing for the proposed tax rate for Tax Year 2023.

Mayor Montoya closed the Public Hearing at 7:23 P.M.

- b. **Approval of first reading and second reading as per section 2.13 of the City Charter to adopt Ordinance 2023-11 levying ad valorem taxes for the Tax Year 2023 for Maintenance & Operations of the Municipal Government of the City of Mercedes, Texas for the Fiscal Year 2024.**

Mayor Montoya read aloud Ordinance 2023-11 in its entirety. Mayor Pro-Tem Saldana moved to approve the ordinance subject to adjustments so that it reflects the tax rate in dollars. Commissioner Howell seconded. Mayor Montoya stated that the numbers will not change. At a question, Mr. Perez stated the tax rate remained the same. Commissioner Howell voted aye, Commissioner Garcia voted aye, Mayor Montoya voted aye, Mayor Pro-Tem Saldana voted aye, and Commissioner Martinez voted aye.

- c. **Approval of First Reading and second reading as per section 2.13 of the City Charter to adopt Ordinance 2023-11 providing for the interest and sinking fund of the fiscal year 2024, of the Municipal Government of the City of Mercedes, Texas General Obligation bonds.**

Legal recommended to approve with changes to grammar on a few words and stated a record vote is needed. Mayor Pro-Tem Saldana moved to approve the reading with grammar changes. Commissioner Martinez seconded. Commissioner Howell voted to approve, Commissioner Garcia voted to approve. Mayor Montoya voted to approve. Rate will remain the same there were only grammatical errors to be corrected. The motion passed unanimously.

10. **Adjournment**

Commissioner Martinez motioned to adjourn. Commissioner Garcia seconded. Upon a called vote, the motion passed unanimously. The meeting adjourned at 7:31 p.m.

ORDINANCE NO. 2023-12

AN ORDINANCE AMENDING THE EXISTING PERSONNEL POLICY FOR EMPLOYEES OF THE CITY OF MERCEDES, TX; REGARDING HEALTH INSURANCE COVERAGE UPON RETIREMENT; REPEALING ALL CONFLICTING ORDINANCES OR PARTS OF ORDINANCES THEREOF; PROVIDING FOR AN EFFECTIVE DATE.

BE IT ORDAINED BY THE CITY COMMISSION OF THE CITY OF MERCEDES, TEXAS:

SECTION 1. That Chapter 39, Section B, identifying employee insurance coverage and other benefits shall be repealed and removed in its entirety.

Insurance on Retirement

1. Retirees must have fifteen (15) years of continuous service (Ord. 2014-12) in order to continue to receive, for a period not to exceed two (2) years, the same medical insurance plan(s) offered to any eligible employee, except as stated in the following section.
2. The insurance premiums by the City shall continue thereafter unless any of the following events are applicable to the employee:
 - a. the employee dies;
 - b. the employee becomes eligible for Medicare, whether or not they apply for Medicare;
 - c. the employee is hired by an employer that provides health insurance coverage for the employees, whether or not the employee applies for the insurance benefits with that employer;
 - d. the employee purchases their own health insurance;
 - e. the City of Mercedes does not provide health insurance for any of the employees.
3. The City of Mercedes insurance premiums for the retiree will be terminated for any of the above listed situations.

SECTION 2: That all previous parts of personnel policies and procedures in conflict herewith, and specifically Ordinance 2014-12 are hereby repealed to the extent of the conflict.

SECTION 3: That if any section, subsection, phrase, sentence, clause or provision of this ordinance shall be declared invalid for any reason, such invalidity shall not affect the remaining provisions of this Ordinance or their applications to other persons or sets of circumstances, and to this end all provision of this ordinance are declared to be severable and all ordinances or parts of ordinances in conflict herewith are hereby repealed.

SECTION 4: This Ordinance will become effective upon its passage by the City Commission and in accordance with the laws of the State of Texas and the City Charter of the City of Mercedes, Texas.

PASSED AND ADOPTED ON FIRST READING THIS THE 5TH DAY OF SEPTEMBER, 2023.

PASSED, APPROVED AND ADOPTED ON SECOND READING THIS THE 19TH DAY
SEPTEMBER, 2023.

ATTEST:

Oscar D. Montoya Sr., Mayor

Joselynn Castillo, City Secretary

Martie Garcia-Vela, City Attorney

ORDINANCE NO. 2014-12 _____

AN ORDINANCE AMENDING THE EXISTING PERSONNEL POLICIES FOR EMPLOYEES OF THE CITY OF MERCEDES, TEXAS; REGARDING HEALTH INSURANCE COVERAGE UPON RETIREMENT; REPEALING ALL CONFLICTING ORDINANCES OR PARTS OF ORDINANCES THEREOF; PROVIDING FOR AN EFFECTIVE DATE.

BE IT ORDAINED BY THE CITY COMMISSION OF THE CITY OF MERCEDES, TEXAS:

SECTION 1: That Chapter VIII, Section C, identifying employee insurance coverage and other benefits shall be amended to add Item 6 which shall read: "All employees who retire in good standing from the City's employment under the requirements as stated through the Texas Municipal Retirement System, and who have been employed with the City of Mercedes for a minimum of fifteen (15) continuous years, shall be provided two years paid health insurance coverage by the City in the same manner as any other full-time regular employee, provided that the City Commission allocates necessary funding. Provided, the retiree will be ineligible if the retiree becomes employed and medical insurance coverage is provided by the employer at no cost to the employee. Provided additionally, the retiree will be ineligible on the month the retiree reaches the age of 65 and is eligible for Medicare coverage.

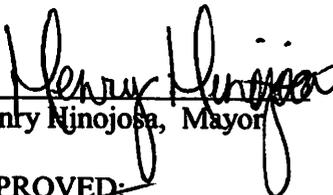
SECTION 2: That all previous parts of personnel policies and procedures in conflict herewith, and specifically Ordinance No. 2012-06 are hereby repealed to the extent of the conflict.

SECTION 3: That if any section, subsection, phrase, sentence, clause or provision of this ordinance shall be declared invalid for any reason, such invalidity shall not affect the remaining provisions of this Ordinance or their applications to other persons or sets of circumstances, and to this end all provision of this Ordinance are declared to be severable and all ordinances or parts of ordinances in conflict herewith are hereby repealed.

SECTION 4: This Ordinance will become effective upon its passage by the City Commission and in accordance with the laws of the State of Texas and the City Charter of the City of Mercedes, Texas.

PASSED, AND APPROVED ON FIRST READING THIS THE 5TH DAY OF AUGUST, 2014.

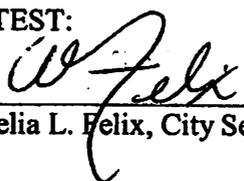
PASSED, APPROVED AND ADOPTED ON SECOND READING THIS THE 19TH DAY OF AUGUST, 2014.


Henry Ninojosa, Mayor

APPROVED:


Juan Molina, City Attorney

ATTEST:


Arcelia L. Felix, City Secretary

Consent Agenda

DATE: Sep 5, 2023
FROM: Rebeka M. Moreno
ITEM: Reinstatement of Keep Mercedes Beautiful Committee Members

BACKGROUND INFORMATION:

The Keep Mercedes Beautiful Committee is established for the purpose of improving the quality of life in Mercedes by being active in recycling efforts and overall cleaning up the City. Keep Mercedes Beautiful Committee is composed of 9 members. Currently there is one (1) vacancy and there are five (5) members whose term will expire soon. Staff inquired as to their desire to keep serving and all are willing to continue serving on the committee.

- Janet Schofield - Term expires September 15, 2023
- Lisa Cantu - Term expires September 15, 2023
- Laura Lopez - Term expires September 15, 2023
- Kathy Cowden - Term expires September 15, 2023
- Amenda Martinez - Term expires September 15, 2023



BOARD REVIEW/CITIZEN FEEDBACK: Approved

ALTERNATIVES/OPTIONS:

FISCAL IMPACT:

| Proposed Expenditure/(Revenue): | Account Number(s): |
|--|---------------------------|
| | |

Finance Review by:

LEGAL REVIEW:

ATTACHMENTS: KMB Committee Term expiration list

Staff Recommendation: Approve Reappointment of the five (5) members whose terms will expire September 15, 2023.

KEEP MERCEDES BEAUTIFUL COMMITTEE

Board Member:

Term Expiration:

Janet Schofield

Yes

09/15/2023

Lisa Cantu

Yes

09/15/2023

VACANT

09/15/2024

Laruen Harrold

09/15/2024

Yvette Reyes

09/15/2024

Amenda Martinez

Yes

09/15/2023

Laura Lopez **

Yes

09/15/2023

Kathy Cowden ***

Yes

09/15/2023

Jonathan Munoz

09/15/2024

CONSENT ITEM : NO

DATE: September 5, 2023

FROM: Nereida Perez, Finance Director

ITEM: Discussion and Possible action on renewing the auditing services of Adrian Webb

BACKGROUND INFORMATION:

The City of Mercedes went out for bids in 2022 for auditing services for FY 21-22 with the option to renew an additional year.

At this time, staff is requesting engaging the services of our current auditors, Adrian Webb, for an additional year, FY 22-23.

The proposed fee for Fiscal Year 22-23 is between \$45,000 and \$52,000 depending on the field work required for the City and \$7,500 to \$8,100 for the EDC.

BOARD REVIEW/CITIZEN FEEDBACK: N/A

ALTERNATIVES/OPTIONS: N/A

FISCAL IMPACT: City Budgeted for FY 23-24 \$60,200. EDC will pay their own fees.

| Proposed Expenditure/(Revenue): | Account Number(s): |
|--|---------------------------|
| \$27,560 | 01-540-2020 |
| \$24,440 | 02-545-2020 |

Finance Review by: Nereida Perez, Finance Director

LEGAL REVIEW:

ATTACHMENTS:

1. Proposal

DRAFT MOTION: Staff is recommending approval to renew audit services for Adrian Webb, CPA for FY 22-23.

ADRIAN WEBB
Certified Public Accountant
McAllen, Texas

August 2, 2023

City of Mercedes, Texas

We are pleased to confirm our understanding of the services we are to provide for City of Mercedes, Texas for the year ended September 30, 2023

Audit Scope and Objectives

We will audit the financial statements of the governmental activities, the business-type activities, the component unit, each major fund, and the remaining fund information, including the disclosures, which collectively comprise the basic financial statements, of City of Mercedes, Texas as of and for the year ended September 30, 2022. Accounting standards generally accepted in the United States of America (GAAP) provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement City of Mercedes, Texas's basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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 City of Mercedes, Texas's RSI in accordance with auditing standards generally accepted in the United States of America (GAAS). These limited procedures will consist 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 will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient appropriate evidence to express an opinion or provide any assurance. The following RSI is required by GAAP and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis.
- 2) Budgetary Comparison Schedules.
- 3) GASB-required Supplementary Information Management's Discussion and Analysis.

We have also been engaged to report on supplementary information other than RSI that accompanies City of Mercedes, Texas's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS, and we will provide an opinion on it in relation to the financial statements as a whole in a separate written report accompanying our auditor's report on the financial statements OR in a report combined with our auditor's report on the financial statements.

- 1) Schedule of expenditures of federal awards.
- 2) Combining and individual fund statements.

In connection with our audit of the basic financial statements, we will read the following other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

The expectation that the auditor will be provided the final version of all documents comprising the annual report, including other information, prior to the date of the auditor's report so that required audit procedures can be completed prior to the issuance of the auditor's report.

If obtaining the final version of these documents is not possible prior to the date of the auditor's report, that the documents will be provided as soon as practicable, and that City of Mercedes will not issue the annual report prior to providing them to the auditor.

The potential implications of providing the documents after the date of the auditor's report, including any actions that may be necessary in the event the auditor concludes that there is a material misstatement.

The objectives of our audit 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 issue an auditor's report that includes our opinions about whether your financial statements are fairly presented, in all material respects, in conformity with GAAP, and report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. 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 GAAS and *Government Auditing Standards* 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 of a reasonable user made based on the financial statements. The objectives also include reporting on:

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Auditor's Responsibilities for the Audit of the Financial Statements and Single Audit

We will conduct our audit in accordance with GAAS; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major program(s) in accordance with Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with GAAS and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of waste and abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements or noncompliance may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or on major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the government's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals,

funding sources, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement.

We have not identified the following significant risk(s) of material misstatement as part of our audit planning. We may, from time to time and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers. Our audit of financial statements does not relieve you of your responsibilities.

Audit Procedures—Internal Control

We will obtain an understanding of the government and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. 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, misrepresentation, or the override of internal control. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of City of Mercedes, Texas's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance, and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with federal statutes, regulations, and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of City of Mercedes, Texas's major programs. For federal programs that are included in the Compliance Supplement, our compliance and internal control procedures will relate to the compliance requirements that the Compliance Supplement identifies as being subject to audit. The purpose of these procedures will be to express an opinion on City of Mercedes, Texas's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Other Services

We will also assist in preparing the financial statements, schedule of expenditures of federal awards, and related notes of City of Mercedes, Texas's in conformity with accounting principles generally accepted in the United States of America and the Uniform Guidance based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statements, schedule of expenditures of federal awards, and related notes services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

You agree to assume all management responsibilities for the financial statements, schedule of expenditures of federal awards, and related notes, and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements, the schedule of expenditures of federal awards, and related notes and that you have reviewed and approved the financial statements, the schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

We will assist you in preparing the financial statement for the fiscal year 2022, including the Electronic Annual Financial Report (AFR pdf file). We will also assist you in preparing statements or reports that are primarily the responsibility of the City of Mercedes, Texas's administrators, such as the letter of transmittal, if required. While these reports are not covered in audited information, we are required to review them for consistency with the statements we audit and reasonableness of claims.

You agree to assume all management responsibilities for any nonaudit services we provide; oversee the services by designating an individual with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Professional standards promulgated by the American Institute of Certified Public Accountants (AICPA), and other require that auditors be independent of the clients for whom they perform attest services and that they document their independence. These standards apply to the services we will be providing City of Mercedes, Texas. They may restrict some of the non-audit services we can do for you (such as your bookkeeping), but they allow us to provide numerous other services as long as you agree to perform the following services:

- Make all management decisions and perform all management functions:
- Designate an individual (preferably in senior management) who possesses suitable skill, knowledge, and/or experience to oversee the preparation of suggested adjustments and the draft of financial statements, and to oversee the filing of statements with appropriate regulatory or funding agencies;
- Evaluate the adequacy and results of the services performed by us;
- Accept responsibility for:
 - The City of Mercedes, Texas's accounting, and information systems;
 - Adjustments we have suggested, and you have approved;
 - The financial statements and other reports we have helped you prepare, and you have approved, such as the audit data feed;
 - The submission of those financial statements and report to other appropriate oversight or granting agencies;
 - Establish and maintain internal controls over the budgeting and bookkeeping process and over the data and report submission processes required by the Office of Management and Budget, and others.

Responsibilities of Management for the Financial Statements and Single Audit

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for (1) designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error,

including internal controls over federal awards, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with accounting principles generally accepted in the United States of America; and for compliance with applicable laws and regulations (including federal statutes), rules, and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

You are also responsible for making drafts of financial statements, schedule of expenditures of federal awards, schedule of depreciation, schedule of long-term debt, GASB 68 & 75 schedules, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the Uniform Guidance; (3) additional information that we may request for the purpose of the audit; and (4) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about the financial statements; schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and related matters.

Your responsibilities include 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 latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants. You are also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan.

You are responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received, and COVID-19-related concepts, such as lost revenues, if applicable) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains, and indicates that we have reported on, the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon OR make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is stated fairly in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles (GAAP). You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon OR make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Scope and Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's reports or nine months after the end of the audit period.

We will provide copies of our reports to City of Mercedes, Texas's; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Adrian Webb, CPA, and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to federal or state agencies providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Adrian Webb, CPA. personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by a state or federal agency for Audit, or Pass-through Entity. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the parties contesting the audit finding for guidance prior to destroying the audit documentation.

Adrian Webb, CPA is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will be between \$45,000-\$52,000. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered periodically as work progresses and are payable on presentation.

In accordance with our firm policies, work may be suspended if your account becomes 5 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended.

The audit fee is premised on the following assumptions:

City of Mercedes, Texas will have available those individuals necessary to answer questions that will arise during the course of the work.

City of Mercedes, Texas has maintained its system of internal accounting controls.

City of Mercedes, Texas will prepare schedules and provide assistance to enable us to efficiently and successfully complete the engagement.

No significant unanticipated accounting or auditing problems or changes will arise prior to our conducting this audit.

Therefore, in the event the aforementioned matters are substantially altered, or other unusual circumstances or problems arise during the audit, we will first discuss the situation with you before proceeding, and any necessary revisions to the audit plan or fee will be mutually agreed to.

Reporting

We will issue written reports upon completion of our Single Audit. Our reports will be addressed to management and governing board of City of Mercedes, Texas's. 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 a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor's report, or if necessary, withdraw from this engagement. If our opinions 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 issue reports, or we may withdraw from this engagement.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will state that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Mercedes's internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Mercedes's internal control and compliance. The Uniform Guidance report on internal control over compliance will state that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose. We appreciate the opportunity to be of service to City of Mercedes, Texas's 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 the attached and return it to us.

Very truly yours,
Adrian Webb, CPA

ADRIAN WEBB, CPA

RESPONSE:

This letter correctly sets forth the understanding of City of Mercedes.

Management signature: _____
Title: _____
Date: _____
Governance signature: _____
Title: _____
Date: _____