

**CITY OF FREEPORT**  
NOTICE OF PUBLIC MEETING  
THE FREEPORT CITY COUNCIL  
MONDAY SEPTEMBER 19TH 2011, 6:00 P.M.  
FREEPORT MUNICIPAL COURT ROOM  
FREEPORT POLICE DEPARTMENT, 430 NORTH BRAZOSPORT BLVD.

AGENDA  
FORMAL SESSION

1. Call to Order.
2. Invocation.
3. Pledge of Allegiance
4. Consideration of approving the September 12th, 2011 Council Minutes.  
Pg. 585-587
5. Attending citizens and their business.
6. **Presentation of Award :** Freeport Officer Roy McCullough and Officer Juan Zapata for services above and beyond their duty in rescuing a Freeport citizen in a burning house.
7. **Recognition:** On September 22nd, 2011, N. C. Nat Hickey of Freeport will be recognized for his business achievement by being inducted into the Brazoria County Business Hall of Fame. Pg. 588
8. **Presentation of Award:** To the City of Freeport from Rosalind Petteway of the Freeport East Enders.
9. Consideration of approving Ordinance No. 2011-2287 adopting a tax rate for fiscal year 2011-2012. Pg. 589-595
10. Consideration of approving Ordinance No. 2011-2288 amending the budget for fiscal year 2010-2011. Pg. 596-600
11. Consideration of approving and awarding the Request for Proposals for Disaster and/or Storm Recovery Monitoring Services to Yates Construction and SAIC as an alternate. Pg. 601
12. Consideration of accepting and awarding the bids to purchase 3,423 tons of stabilized concrete and a quantity of naturally decomposed granite sufficient to construct a nature or hiking trail 6 ft. in width and 6, 671 ft. in length. Pg. 602-608

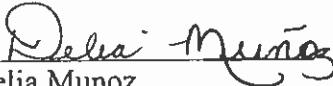
13. Consideration of approving Kennemer, Masters & Lunford, LLC for audit services for the year ending September 30, 2011. Pg. 609-615
14. Consideration of approving Resolution No. 2011-2268 establishing GASB 54 Fund Balance Policies as required by the Governmental Accounting Standards Board. Pg. 616-619

Adjourn

Items not necessary discussed in the order they appear on the agenda. The Council at its discretion may take action on any or all of the items as listed.

This notice is posted pursuant to the Texas Open Meeting Act. (Chapter 551, Government Code). In compliance with the Americans with Disabilities Act, the City of Freeport will provide for reasonable accommodations for persons attending City Council Meetings. Request should be received 48 hours prior to the meeting. Please contact the City Secretary office at 979-233-3526.

I, Delia Munoz City Secretary for the City of Freeport, Texas certify that this agenda was posted on the official bulletin board/glass door of City Hall, facing the rear parking lot of the building, with 24 hours a day public access, 200 West 2nd Street, Freeport Texas, September 15th, 2011 at or before 5:00 p.m.

  
\_\_\_\_\_  
Delia Munoz  
City of Freeport, Texas

State of Texas

County of Brazoria

City of Freeport

BE IT REMEMBERED, that the City Council of the City of Freeport met on Monday, September 12th, 2011 at 6:00 p.m. at the Freeport Police Department, Municipal Court Room, 430 North Brazosport Boulevard, for the purpose of considering the following agenda items:

City Council: Norma Moreno Garcia  
Michelle Kent  
Fred Bolton  
Nicolosa Mireles  
Sandra Barbered

Staff: Jeff Pynes, City Manager  
Gilbert Arispe, Administrative Asst.  
Delia Munoz, City Secretary  
Nat Hickey, Property Manager  
Bob Welch, Finance Director

Visitors: Marjorie Clark  
Annette Sanford  
Joyce Adkins

Call to Order.

Mayor Norma Garcia called the meeting to order at 6:00 p.m.

Invocation.

A moment of silence was noted.

Pledge of Allegiance.

Mayor Norma Garcia led the Pledge of Allegiance.

Consideration of approving the September 6th, 2011 Council Minutes.

On a motion by Councilwoman Kent, seconded by Councilwoman Mireles, with all present voting "aye", Council unanimously approved the September 6th, 2011 Council Minutes.

Attending citizens and their business.

There were none.

Public Hearing – Proposed budget for fiscal year 2011-2012.

Mayor Norma Garcia opened the Public Hearing at 6:03 p.m.

Annette Sanford was present and voiced her opinion on the budget. She had attended all the work shops and thanked Council for all their hard work on balancing a conscientious budget.

Marjorie Clark asked if the Main Street budget could be reviewed. Mayor Norma Garcia asked the City Manager to review the budget for Ms. Clark. Mr. Pynes advised her that the Main Street budget had \$38,625 which is more than last year, allocating more money for festivals and special projects. Last year budget was \$26,625. She asked if the Summer Time Blues festival would continue to be a Main Street project. Council confirmed that the festival was a Main Street project.

Mayor Norma Garcia asked for the amount of cash on hand. Mr. Pynes answered that it was \$4,199,746. She also asked about the employees raises and how he had determined the salary schedule. Mr. Pynes said that there had been a lot of discrepancies and a TML scale for all employees was used based on tenure and education.

There being no more questions or comments, Mayor Norma Garcia closed the Public Hearing at 6:12 p.m.

Consideration of approving Ordinance No. 2011-2286 adopting a budget for the fiscal year 2011-2012 for the City of Freeport.

On a motion by Councilwoman Kent, seconded by Councilwoman Barbree, with all present voting “aye”, Council approved Ordinance No. 2011-2286 adopting a budget for the fiscal year 2011-2012 with the stipulation that the City Manager at a later date prepare a 20 year proposal pay scale for all city employees.

Consideration of approving a Road & Bridge Interlocal Agreement for fiscal year 2012 with Brazoria County and the City of Freeport for rehabilitation of streets.

On a motion by Councilwoman Kent, seconded by Councilman Bolton, with all present voting “aye”, Council unanimously approved a Road & Bridge Interlocal Agreement for fiscal year 2012 with Brazoria County and the City of Freeport for rehabilitation of streets.

Adjourn

On a motion by Councilwoman Kent, seconded by Councilwoman Mireles, with all present voting “aye”, the meeting adjourned at 6: 14 p.m.

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Mayor Norma Moreno Garcia

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City Secretary – Delia Munoz

## Brazoria County Business Hall of Fame

July 5, 2011

Dear Sirs & Madams:

*The Brazoria County Business Hall of Fame* will hold its twelfth annual banquet honoring this year's Laureates on September 22, 2011 at the Lake Jackson Civic Center. There will be a special reception where sponsoring companies and individuals are invited to honor the Laureates prior to the event.

**Elmer IL. Dezso** of Alvin, **J. M. "Mike" Lowrey** of Lake Jackson and **N. C. "Nat" Hickey** of Freeport will be recognized for their business achievement by being inducted into the Brazoria County Business Hall of Fame. These individuals have demonstrated a lifetime of business excellence, courageous thinking and actions, vision and innovation, and leadership that have led Brazoria County in a better and stronger direction.

The 2010-2011 Teacher of the Year honor goes to **Vicky Stanley** of Pearland High School. The Volunteer of the Year award goes to **Michell Azbell** of TDECU. The **Albert P. Beutel, II & Buster Curry** Scholarship presentations will also be made to high school seniors from the county as well as Presidential Volunteer Service Awards to individuals and companies.

Please join us in celebrating the accomplishments of our Laureates and celebrating Junior Achievement's over 55 years in Brazoria County as one of this year's sponsors. If you are unable to attend, but would like to help sponsor a scholarship recipients dinner, please note on enclosed form. All sponsors will be noted on the invitations, program and press releases. (For inclusion on invitations – **please respond by 7/20/11**)

Thank you for considering our request in honoring those responsible for helping to make Brazoria County a great place to live and work.

Sincerely,



Kim Effenberger, President

Hall of Fame Committee: Dennis Bonnen, Matt Edquist, Barbara Franklin, George Franklin, Ranelle Hampy, Lucy Pendon, and Ravi Singhania.

ORDINANCE NO. 2011-2287

AN ORDINANCE OF THE CITY OF FREEPORT, TEXAS, CONTAINING A PREAMBLE; CONTAINING FINDINGS OF FACT; ACCEPTING THE CERTIFIED APPRAISAL ROLL FROM THE BRAZORIA COUNTY APPRAISAL DISTRICT FOR THE 2011 TAX YEAR; ESTABLISHING A TAX RATE FOR EACH \$100.00 VALUATION OF TAXABLE PROPERTY WITHIN SAID CITY FOR SUCH TAX YEAR; LEVYING ALL TAXES FOR SAID CITY FOR SUCH TAX YEAR; ALLOCATING SUCH TAXES FOR CERTAIN MUNICIPAL PURPOSES THEREIN ENUMERATED; ORDERING THAT SUCH TAXES BE ASSESSED AND COLLECTED; CONTAINING A SEVERANCE CLAUSE; AND PROVIDING AN EFFECTIVE DATE FOR THIS ORDINANCE.

WHEREAS, the City of Freeport, Texas, (hereinafter sometimes "the City") is a "Home Rule City" and a "Home Rule Municipality" lying and situated in Brazoria County, Texas, as described in and defined by Section 5, Article XI of the Constitution of Texas and Section 1.005 of the Local Government Code of Texas, respectively; and,

WHEREAS, Article 9 of the Home Rule Charter of the City authorizes the City to levy, assess and collect an annual tax upon real and personal property within the City to the maximum provided by the Constitution and general laws of the State of Texas; and

WHEREAS, Section 26.01, Texas Tax Code, provides that, by July 25th of each tax year, the Chief Appraiser of the Appraisal District in which an entity authorized to levy ad valorem taxes is located shall prepare and certify to the Assessor-Collector of such entity an appraisal roll for that tax year that lists the property taxable by such unit; and,

WHEREAS, Section 6.22<sup>©</sup>, Texas Tax Code, authorizes the governing body of a taxing unit to require the county in which said unit is located to assess and collect the taxes such unit imposes in the manner in which the county assesses and collects its taxes; and,

WHEREAS, county taxes in Brazoria County, Texas, are assessed and collected by the Brazoria County Tax Assessor-Collector; and,

WHEREAS, Section 6.23(a)(3), Texas Tax Code, provides that the county assessor and collector of taxes shall, if so required by a taxing unit, assess and collect the taxes of said unit; and,

WHEREAS, heretofore the City Council, being the governing body thereof, adopted a resolution requesting and requiring the Assessor and Collector of Taxes for Brazoria County, Texas, to assess and collect the ad valorem taxes levied by the City; and,

WHEREAS, Section 26.04, Texas Tax Code, requires that by August 7th or as soon thereafter as practicable, the Tax Assessor-Collector shall submit to the City Council and publish notice of, among other things, the effective tax rate and the roll back tax rate for the then current tax year; and,

WHEREAS, Article 9 of the Home Rule Charter of the City requires the adoption of an annual budget not less than fifteen (15) days prior to the beginning of each fiscal year;

WHEREAS, under Section 102.001(b), Local Government Code, because the City has a city manager form of government, the city manager is the budget officer of the municipality;

WHEREAS, under Section 102.002 of said Code and Chapter 9 of said Charter, the City Manager is required to prepare a proposed annual budget for the municipality and, under Section 102.03(a) of said Code and Chapter 9 of said Charter, is required to file the same with the City Secretary before the 30th day before the date the governing body of the municipality makes its tax levy for the fiscal year; and,

WHEREAS, under Section 102.006(a) and (b), Local Government Code and Chapter 9 of said Charter, the governing body of the municipality is required to conduct a public hearing on such proposed annual budget; and

WHEREAS, under Section 102.006( c), Local Government Code and Chapter 9 of said Charter, public notice of the date, time and location of such hearing must be given, under Section 102.0065( c) and Section 102.011 of said Code the provisions of said Charter control as to the method of giving such notice and under Chapter 9 of said Charter said notice must be published at least 15 days before the date of such hearing in the official newspaper of the City; and,



WHEREAS, under Section 102.006(b), Local Government Code, the public hearing on the proposed annual budget must be held before the date the governing body makes its tax levy for the fiscal year covered by such budget; and,

WHEREAS, under Section 102.007( c) of said Code and Chapter 9 of said Charter, at the conclusion of such hearing, the governing body must take action on such proposed annual budget and under Section 102.009 (a) of said Code and Chapter 9 of said Charter, the governing body of the City may levy taxes only in accordance with such budget; and,

WHEREAS, Section 11.01 of the Home Rule Charter of the City provides for a fiscal or budget year that begins on the 1st day of October of each calendar year and ends on the last day of September of the next succeeding calendar year; and,

WHEREAS, Article 9 of the Home Rule Charter of the City requires the adoption of an annual budget not less than fifteen (15) days prior to the beginning of each fiscal year; and,

WHEREAS, under Section 102.001(b), Local Government Code, because the City has a city manager form of government, the city manager is the budget officer of the municipality and, under Section 102.002 of said Code and Section 11.02 of the Home Rule Charter of the City, the City Manager is required to prepare a proposed annual budget for the municipality and, under Section 102.03(a) of said Code and Section 11.02 of said Charter, is required to submit the same to the City Council at least sixty (60) days before the beginning of each budget year; and,

WHEREAS, under Section 102.006(a) and (b), Local Government Code and Section 11.05 of the Home Rule Charter of the City, the governing body of the municipality is required to conduct a public hearing on such proposed annual budget; and

WHEREAS, under Section 102.006<sup>©</sup>, Local Government Code and Section 11.04 of the Home Rule Charter, public notice of the date, time and location of such hearing must be given, under Section 102.0065<sup>©</sup> and Section 102.011 of said Code the provisions of said Charter control as to the method of giving such notice and under Section 11.04 of said Charter said notice must be published not less than ten (10) days nor more than thirty (30) days before the date of such public hearing; and,

WHEREAS, under Section 102.006(b), Local Government Code, the public hearing on the proposed annual budget must be held before the date the governing body makes its tax levy for the fiscal year covered by such budget and, under Section 102.009 (a) of said Code and Section 11.09 of said Charter, the governing body of the City may levy taxes only in accordance with such budget; and,

WHEREAS, the provisions of Section 26.05, Tax Code, requiring the governing body to conduct two public hearing and satisfy the notice and voting requirements of Section 26.06, Tax Code, do not apply where the proposed tax rate will not exceed the lower of the rollback tax rate or the effective tax rate calculated as provided in said code,

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF FREEPORT, TEXAS:

SECTION ONE (1) - Findings of Fact

The City Council hereby makes the following findings:

(1) The Chief Appraiser of the Brazoria County Appraisal District furnished to the Assessor and Collector of Taxes for Brazoria County, Texas, a certified appraisal roll of the City for the 2011 tax year on the -- day of July, 2011.

(2) The original of the proposed budget for the City's Fiscal Year 2011-2012 was filed by the City Manager of the City with the City Secretary on the 14th day of July, 2011.

(3) The Assessor and Collector of Taxes calculated and on the 31st day of July, 2011, caused to be published in the Brazosport Facts on the 4th day of July, 2011, a notice of the effective and roll back tax rates for such tax year, being 0.688053 and 0.733355, respectively, per \$100.00 valuation.

(4) On the 28<sup>th</sup> day of August, 2011, there was published in the Brazosport Facts a notice that on the 12th day of September, 2011, beginning at 6:00 o'clock, p.m., a public hearing would be held on the proposed budget for the 2011-2012 fiscal year.

(5) A public hearing on such proposed budget was held on the 12th day of September, 2011, beginning at 6:00 p.m., in the Municipal Courtroom of the Police and Courts Building of the City of Freeport, Texas, located therein at 430 Brazosport Boulevard.

(6) An ordinance adopting the budget filed by the City Manager with the City Secretary was adopted at the conclusion of such hearing, being Ordinance No. 2011-2286, read, passed and adopted on the 12th day of September, 2011.

(7) There is outstanding indebtedness for which an interest and sinking fund must be provided from ad valorem taxes and taxes must be levied as provided below in order to provide a general fund for current expenses and the general improvement of the City and its property and to meet the revenue requirements of the budget for the City's 2011-2012 fiscal year.

(8) That the ad valorem tax for the 2011 tax year, herein below levied, will not exceed the lower of the rollback tax rate or the effective tax rate specified in Item (3) above; and the amount thereof assessed for the interest and sinking fund and the amount thereof assessed for the general fund are both less than the amounts for those funds assessed for the 2010 tax year.

(9) That the Brazosport Facts is a newspaper of general circulation in the City and is its official newspaper.

SECTION TWO (2) - Appraisal Roll Accepted and Adopted

The City Council of the City hereby accepts and adopts the Certified Appraisal Roll for the City furnished to the Assessor and Collector of the City by the Brazoria County Appraisal District and which is incorporated herein by reference.

SECTION THREE (3) - Tax Rate for Interest and Sinking Fund

The City Council of the City hereby orders, determines and establishes that the tax rate for each \$100.00 valuation of taxable property within the City for the interest and sinking fund shall be \$0.159261 for the tax year 2011. This amount will not raise more taxes for interest and sinking fund than last year.

SECTION FOUR (4) - Tax Rate for General Fund

The City Council of the City hereby orders, determines and establishes that the tax rate for each \$100.00 valuation of taxable property within the City to provide a general fund for maintenance and operation expenses of the City shall be \$0.520739 for the tax year 2011. This amount will not raise more taxes for maintenance and operations than last year's tax rate.

SECTION FIVE (5) - Tax Levy; Assessment and Collection

Ad valorem taxes for the tax year 2011 are hereby levied and shall be assessed and collected as herein above set forth, to-wit: a total tax of \$0.680000 on each \$100.00 valuation of taxable property situated in the City as the ad valorem tax for said year.

SECTION SIX (6) - Severance Clause

Any section or provision of this ordinance found to be unconstitutional, void or inoperative by the final judgment of a court of competent jurisdiction is hereby declared to be severable from the remainder of this ordinance which shall remain in full force and effect.

SECTION SEVEN (7) - Effective Date

This ordinance shall be effective from and after its passage and adoption.

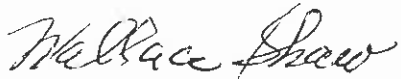
PASSED AND ADOPTED this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

\_\_\_\_\_  
Norma Moreno Garcia, Mayor  
City of Freeport, Texas

ATTEST:

\_\_\_\_\_  
Delia Muñoz, City Secretary  
City of Freeport, Texas

APPROVED AS TO FORM ONLY:

  
\_\_\_\_\_  
Wallace Shaw, City Attorney,  
City of Freeport, Texas

C:\Freeport.Tax\2011 Tax-Ord

ORDINANCE NO. 2011-2288

AN ORDINANCE OF THE CITY OF FREEPORT, TEXAS, CONTAINING A PREAMBLE; CONTAINING FINDINGS OF FACTS; AMENDING THE BUDGET FOR THE FISCAL YEAR 2010-2011; CONTAINING SAVINGS CLAUSES; CONTAINING A SEVERANCE CLAUSE; AND PROVIDING THAT THIS ORDINANCE SHALL TAKE EFFECT AND BE IN FORCE FROM AND AFTER ITS PASSAGE AND ADOPTION.

WHEREAS, pursuant to the provisions of Subsection (a) of Section 102.007 of Chapter 102 of the Local Government Code and the provisions of Article 9 of the Home Rule Charter of the City of Freeport (hereinafter sometimes "the City"), the budget for the 2010-2011 fiscal year of the City was finally approved by the City Council, being the governing body thereof, by its Ordinance No. 2010-2257, read, passed and adopted on the 7th day of September, 2010, (hereinafter sometimes "the Budget"); and,

WHEREAS, Subsection (b) of Section 102.009 of the Local Government Code provides that, after final approval of the budget, the governing body of a municipality may spend municipal funds only in strict compliance with the budget, except in an emergency, but Section 102.010 of said Code provides that the provisions of Chapter 102 thereof do not prevent the governing body of such municipality from making changes in the budget for municipal purposes; and

WHEREAS, Subsection (c) of Section 102.009 of said Code provides that the governing body of a municipality may authorize an expenditure as an amendment to the original budget only in the case of grave public necessity to meet an unusual and unforeseen condition that could not have been included in the original budget through the use of reasonably diligent thought and attention; and,

WHEREAS, Section 9.16 of the City's Home Rule Charter provides that the budget may be amended and appropriations altered in accordance therewith in cases of public necessity, the actual fact of which shall have been declared by the City Council; and,

WHEREAS, the adoption of this ordinance and the amendment of the Budget is necessary for and in the best interest of the health, safety and general welfare of the inhabitants of the City.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF FREEPORT, TEXAS:

SECTION ONE (1): FINDINGS OF FACT

In connection with the amendment and revision of the Budget, the City Council of the City makes the following findings:

(1) The amendments and revisions set forth in the Budget were the result of numerous public workshop meetings called and conducted in the manner required by the Texas Open Meetings Act, codified as Chapter 551, Government Code.

(2) A public hearing was held on the Budget on September 7, 2010, and conducted in the manner required by Section 102.006 of the Local Government Code and the City's Home Rule Charter.

(3) Notice of such public hearing was published in the Brazosport Facts, a newspaper of general circulation in and the official newspaper of the City in the manner and time required by Chapter 102 of said Code and the City's Home Rule Charter.

(4) A grave public necessity exists and to meet an unusual and unforeseen conditions that could not have been included in the original budget through the use of reasonably diligent thought and attention and the Budget must be amended and revised with respect of the new or additional expenditures set forth in Exhibit "A" attached hereto and made a part hereof, such unusual and unforeseen conditions also being set forth in said Exhibit "A".

(5) The proposed changes are set forth in Exhibit "A" attached hereto and made a part hereof.

(6) All of the changes set forth in Exhibit "A" are for municipal purposes.

(7) The several amounts stated in Exhibit "A" as the amended or revised expenditures are hereby appropriated to and for the objects and purposes therein named.

(8) The contingent appropriations, as amended and revised in said Exhibit "A", do not exceed three (3%) percent of the total amended and revised budget appropriations reflected therein.

(9) The amended and revised expenditures of the general fund and the debt service fund contained in the Budget, as amended by said Exhibit "A", do not exceed the resources of each fund, as amended and revised.

SECTION ONE (2):

The existing budget of the City of Freeport, Texas, for the fiscal year 2010-2011 is hereby amended and revised as reflected in said Exhibit "A".

SECTION THREE (3):

As required by Subsections (c) and (d) of Section 102.009 of the Local Government Code, upon the passage and adoption of this ordinance, the amended and revised budget adopted hereby shall be filed with the City Secretary of the City to be maintained in the official records of the City, and a certified copy of this ordinance, with Exhibit "A" attached thereto, shall be filed by the City Secretary with the County Clerk of Brazoria County, Texas, and the State Comptroller of Public Accounts for the State of Texas.

SECTION FOUR (4):

nothing contained in this ordinance shall cause any rights heretofore vested to be altered, affected or impaired in any way and all such rights may be hereafter enforced as if this ordinance had not been adopted.



SECTION FIVE (5):

In the event any section or provision of this ordinance is found to be unconstitutional, void or inoperative by the final judgment of a court of competent jurisdiction, such defective provision, if any, is hereby declared to be severable from the remaining sections and provisions of this ordinance and such remaining sections and provisions shall remain in full force and effect.

SECTION SIX (6):

This ordinance shall take effect and be in force from and after its passage and adoption.

READ, PASSED AND ADOPTED this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

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Norma Moreno Garcia, Mayor,  
City of Freeport, Texas

ATTEST:

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Delia Muñoz, City Secretary,  
City of Freeport, Texas

APPROVED AS TO FORM ONLY:

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Wallace Shaw, City Attorney,  
City of Freeport, Texas

C:\Freeport.Bud\2010-2011 BudAmd#4 547185-Ord

**APPENDIX A - PAGE 1**



200 West 2nd Street  
 Freeport, TX 77541  
 PH: (979) 233-3526  
 FX: (979) 373-0113

# Council

## MEMORANDUM

To: Mayor and Council  
 From: Bob Welch  
 Re: Request for Amendment of Budgeted Funds # 4  
 Date: September 19, 2011

We are requesting the following amendments to the 2010-2011 Budget:

BUDGET AMENDMENTS	ACCT#	ACCOUNT DESCRIPTION	BUDGET AMENDMENTS	
			DEBIT	CREDIT
1 FUEL - GOLF COURSE	15-656-390	FUEL-GOLF COURSE		2,500
LAND/GROUNDS MAINTENANCE-GOLF	15-656-546	LAND/GROUNDS MAINT-GOLF	2,500	
REQUEST BUDGET ADJUSTMENT TO COVER ACTUAL EXPENSES				
2 TECHNOLOGY FUND EXPENSE	10-430-684	TECHNOLOGY FUND EXPENSE		7,650
PURCHASE (13) AUDIO & VIDEO CAMERAS AND CAR KITS FOR THE POLICE DEPARTMENT				
3 TRANSFER FROM GENERAL FUND	15-710-010	TRANSFER FROM GENERAL FUND		119,333
TRANSFER TO GOLF FUND	10-700-015	TRANSFER TO GOLF FUND	119,333	
TO COVER DEFICIT IN CURRENT BUDGET YEAR				
4 SECURITY FUND EXPENSE	10-430-685	SECURITY FUND EXPENSE		2,970
TOWER MAPPING/TOWER INSPECTION AND ANTENNA MAPPING WITH CABLE IDENTIFICATION FOR THE POLICE DEPARTMENT				

**SUMMARY EFFECT ON GOVERNMENTAL FUNDS:**

BUDGET ADJUSTMENTS	ACCT#	CURRENT BUDGET	BUDGET AMEND	AMENDED BUDGET
FUEL - GOLF COURSE	15-656-390	16,000	-2,500	13,500
LAND/GROUNDS MAINTENANCE-GOLF	15-656-546	15,500	2,500	18,000
TECHNOLOGY FUND EXPENSE	10-430-684	200	7,650	7,850
TRANSFER FROM GENERAL FUND	15-710-010	-51,965	-119,333	-171,298
TRANSFER TO GOLF FUND	10-700-015	51,965	119,333	171,298
SECURITY FUND EXPENSE	10-430-685	200	2,970	3,170
		31,900	18,520	50,420
<b>Net effect on Fund Balance:</b>			<b>DECREASE</b>	<b>\$10,620</b>

Exhibit "A"



**FREEPORT FIRE & EMS**  
**131 East Fourth Street**  
**P.O. Box 3356**  
**Freeport, Texas 77541**  
**Ph: (979) 233-2111 Fax: (979) 233-4103**

Brian Davis  
Chief  
Christopher Motley  
Deputy Chief  
Billywayne Shoemaker  
EMS Coordinator

To: Norma Garcia Moreno  
Honorable Mayor

FROM: Christopher D. Motley  
Deputy Fire & EMS Chief / EMC

DATE: September 7, 2011

RE: Disaster and/or Storm Recovery Monitoring Service

The City of Freeport issued a request for proposal for Disaster and/or Storm Recovery Monitoring Services with a bid of services opening on July 14, 2011. The bid proposals were reviewed and evaluated according to the basis of award. On September 7, 2011, each bidder was extended an invitation to provide an oral presentation for their proposal. A peer group evaluated the oral presentations and reviewed a copy of the evaluation according to the basis of award to validate Emergency Managements perspective.

The recommendation is to award the contract for RFP: Disaster and/or Storm Recovery Monitoring to Yates Construction as primary and SAIC as an alternate.

Cc: Brian Davis, Fire Chief  
Files

**INVITATION TO BID**

NOTICE IS HEREBY GIVEN that the City of Freeport, Texas, is interested in the purchase of 3,423 tons of 7% stabilized concrete and a quantity of naturally decomposed granite sufficient to construct a nature or hiking trail 6 ft. in width and 6,671 ft. in length.

SEALED BIDS addressed to the City Manager by any person, firm or corporation desiring to sell the same will be received at the office of the City Manager located at 200 W. 2nd Street, Freeport, Brazoria County, Texas 77541, during normal business hours until 2:00 o'clock, p.m., on the 15th day of September, 2011, on which day, beginning at 2:00 o'clock, p.m., all such bids will be opened and publicly read aloud. Any bid received after 2:00 p.m. on such date will be returned unopened.

COPIES OF THE PLANS AND SPECIFICATIONS for such nature or hiking trail are available for public inspection at the Office of the City Manager during normal business hours. A set of such documents may be obtained from such office upon payment of the customary copy charge.

A CASHIER'S OR CERTIFIED CHECK drawn on a bank acceptable to said Board and payable to the order of said City, OR an ACCEPTABLE BID BOND with a corporate surety included on the latest list of surety companies holding certificates of authority from the State Board of Insurance, in the amount of not less than ten (10%) of the total bid or \$500.00, whichever is less, must accompany the bid as guarantee that if awarded the bid the bidder will enter into a contract with said City covering the sale of such stabilized concrete and crushed granite within ten (10) days from the above date.

The contract will be awarded to the **LOWEST RESPONSIBLE BIDDER OR to the BIDDER WHO PROVIDES goods or services at the BEST VALUE** for the municipality.

The City **RESERVES** the right to **REJECT ANY AND ALL BIDS**, to **WAIVE** any **INFORMALITIES** in bidding and, in the case of any **AMBIGUITY OR LACK OF CLEARNESS**, the City reserves the right to construe the same in a manner most advantageous to the City, or to reject the bid.

BY ORDER OF THE BOARD OF THE CITY COUNCIL this 15th day of August , 2011.

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Delia Munoz, City Secretary  
City of Freeport, Texas

**NOTE:** Publish once per week for two consecutive weeks, first publication to be more than 14 days before date of meeting at which bids are to be opened and read aloud.

**FREEPORT WETLANDS PROJECT  
TP&WD RECREATIONAL TRAIL GRANT**





"Quality & Service At A Reasonable Cost"

**Material Quote**

ATTN: City Manager PHONE: (979) 233-3526 FAX: \_\_\_\_\_  
 CUSTOMER: City of Freeport DATE: 9/13/2011  
 PROJECT: City of Freeport Hiking trail MAP: \_\_\_\_\_  
 PROJECT ADDRESS: \_\_\_\_\_  
 SALES PERSON: Adam Massey

**\*15 ton minimum load size, a delivery charge will be assessed for loads under 15 tons.\***

Product	Price / Ton	Qty
7% Cem. Stab. Crushed Concrete	\$25.00	1
Decomposed Granite	\$36.00	1

**We offer all of the following materials:**

- |   |                                       |                  |
|---|---------------------------------------|------------------|
| 1.1 (5%) Cement Stabilized Sand (100 PSI) | 5% Cement Stabilized Crushed Concrete | 1 1/2 Limestone  |
| 1.5 (7%) Cement Stabilized Sand           | 7% Cement Stabilized Crushed Concrete | Limestone Base   |
| 2.0 (10%) Cement Stabilized Sand          | Bank Sand                             | Crushed Concrete |
| 5% Cement Stabilized Limestone            | Mortar Sand                           | Rip Rap          |
| 7% Cement Stabilized Limestone            | 3/8 Pea Gravel                        | 3x5 Bull Rock    |

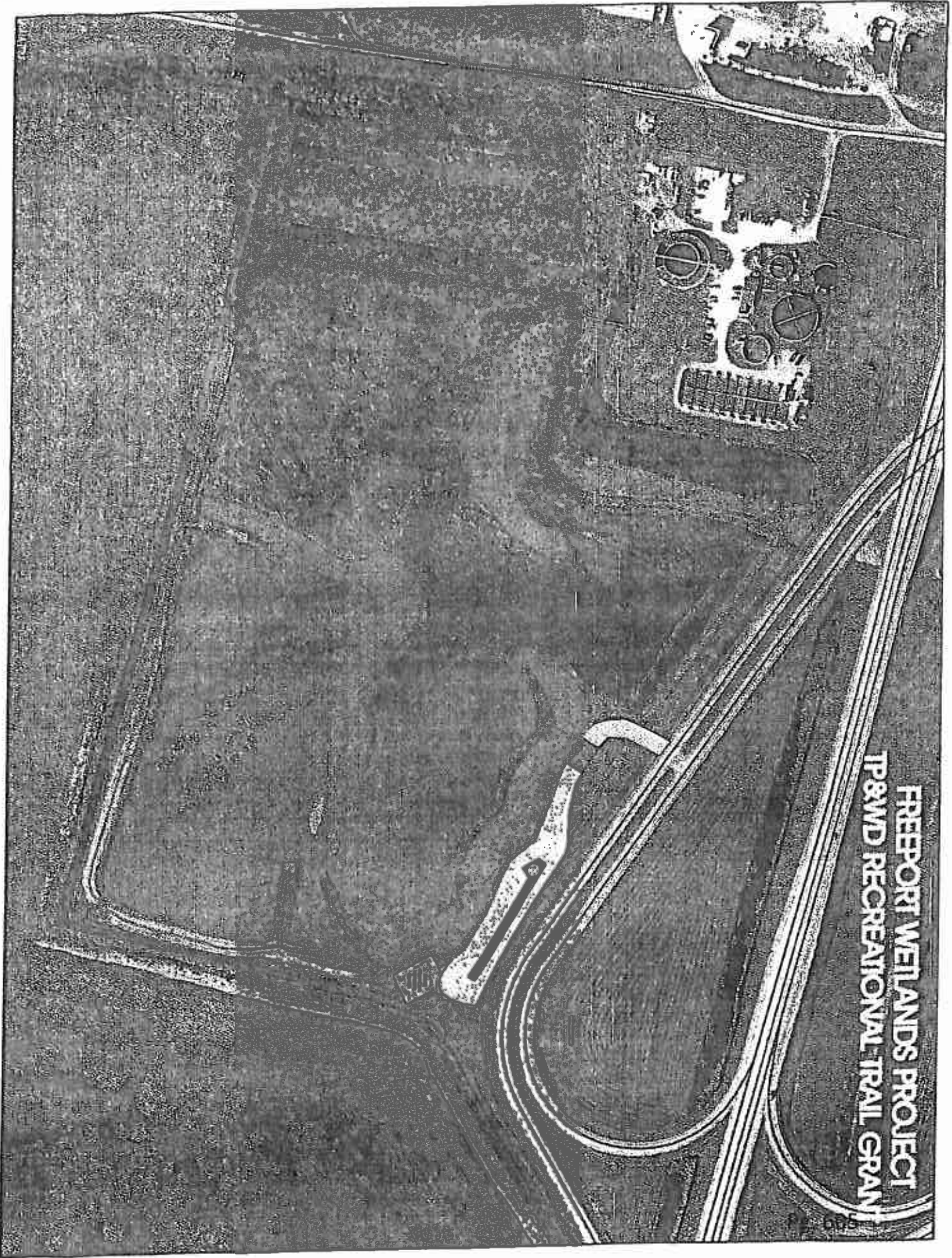
Comments: \_\_\_\_\_

**\* TERMS & CONDITIONS - PLEASE READ \***

- This quotation will be valid for thirty (30) days from the date of this quote. Please acknowledge acceptance of these terms by signing and returning a copy to Cherry Crushed Concrete within thirty (30) days from the date of this quote. (Any unsigned and unreturned Quote is invalid after 30 days).
- Upon acceptance of this quote the price will be valid for 60 days. Cherry reserves the right to increase or decrease the price following the expiration of 60 days. Written notice of the price change will be sent to the customer.
- In addition to the price per ton indicated above, Cherry Crushed Concrete may hereafter add a surcharge to reflect fuel and transportation costs. This surcharge may be added without further notice at Cherry's discretion.
- If the terms of the quotation are accepted, it will constitute an agreement whereby Cherry Crushed Concrete will sell the products shown to the Customer, and the Customer will purchase such products from Cherry Crushed Concrete, for the prices indicated (except as indicated in Sections 1, 2 and 3 above.)
- All deliveries are subject to delays that may be experienced by Cherry Crushed Concrete in connection with adverse weather conditions, mechanical failures, rail or truck transportation, strikes, war, government action, and other similar events.
- The Customer will be responsible for any and all taxes owed as a result of the sale of products hereafter unless the Customer provides Cherry Crushed Concrete with a valid tax exemption certificate or other documentation properly indicating that such taxes should not be collected.
- The Customer will be responsible for all and other preparatory work required at the jobsite prior to the placement of the product shown. Cherry Crushed Concrete will not be responsible for any problems which arise if such preparatory work is not performed.
- If deliveries are to occur at a jobsite, a safe and secure delivery area must be provided by the Customer.

ACCEPTED BY: \_\_\_\_\_ FAX BACK TO 281-692-1804 DATE: \_\_\_\_\_

PLEASE ASK US ABOUT OUR DISCOUNT PRICING ON MULTI-PRODUCT & SERVICES PACKAGES TO LOWER YOUR TOTAL BID PRICE.



**FREEPORT WETLANDS PROJECT  
TP&WD RECREATIONAL TRAIL GRANT**



Bid Bond  
(Percentage)

KNOW ALL MEN BY THESE PRESENTS:

**Cherry Crushed Concrete, Inc.**

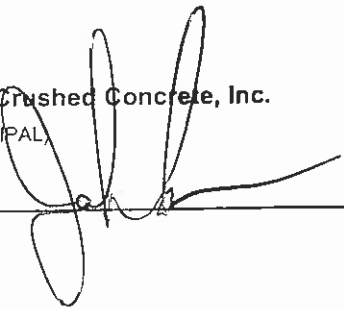
hereinafter referred to as the Principal, and **Continental Casualty Company** as Surety, are held and firmly bound unto **City of Freeport**

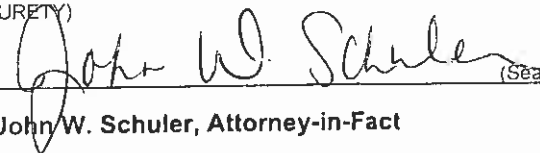
hereinafter referred to as the Obligee, in the sum of **Five Hundred and no/00** Dollars (**500.00**) for the payment of which we bind ourselves, our legal representatives, successors and assigns, jointly and severally, firmly by these presents.

WHEREAS, Principal has submitted or is about to submit a proposal to Obligee on a contract for **City of Freeport Hiking Trail**

NOW, THEREFORE, if the said contract be awarded to Principal and Principal shall, within such time as may be specified, enter into the contract in writing and give such bond or bonds as may be specified in the bidding or contract documents with surety acceptable to Obligee; or if Principal shall fail to do so, pay to Obligee the damages which Obligee may suffer by reason of such failure not exceeding the penalty of this bond, then this obligation shall be void; otherwise to remain in full force and effect.

SIGNED, SEALED AND DATED this date **September 14th, 2011**

**Cherry Crushed Concrete, Inc.**  
(PRINCIPAL)  
By  (Seal)

**Continental Casualty Company**  
(SURETY)  
By  (Seal)  
**John W. Schuler, Attorney-in-Fact**



POWER OF ATTORNEY APPOINTING INDIVIDUAL ATTORNEY-IN-FACT

Know All Men By These Presents, That Continental Casualty Company, an Illinois insurance company, National Fire Insurance Company of Hartford, an Illinois insurance company, and American Casualty Company of Reading, Pennsylvania, a Pennsylvania insurance company (herein called "the CNA Companies"), are duly organized and existing insurance companies having their principal offices in the City of Chicago, and State of Illinois, and that they do by virtue of the signatures and seals herein affixed hereby make, constitute and appoint

John W Schuler, Stephen R Smith, Lanny W Land, Tom Mulanax, Individually

of Austin, TX, their true and lawful Attorney(s)-in-Fact with full power and authority hereby conferred to sign, seal and execute for and on their behalf bonds, undertakings and other obligatory instruments of similar nature

- In Unlimited Amounts -

and to bind them thereby as fully and to the same extent as if such instruments were signed by a duly authorized officer of their insurance companies and all the acts of said Attorney, pursuant to the authority hereby given is hereby ratified and confirmed.

This Power of Attorney is made and executed pursuant to and by authority of the By-Law and Resolutions, printed on the reverse hereof, duly adopted, as indicated, by the Boards of Directors of the insurance companies.

In Witness Whereof, the CNA Companies have caused these presents to be signed by their Senior Vice President and their corporate seals to be hereto affixed on this 9th day of September, 2010.



Continental Casualty Company  
National Fire Insurance Company of Hartford  
American Casualty Company of Reading, Pennsylvania

*Jacquelyne M. Belcastro*  
Jacquelyne M. Belcastro Senior Vice President

State of Illinois, County of Cook, ss:

On this 9th day of September, 2010, before me personally came Jacquelyne M. Belcastro to me known, who, being by me duly sworn, did depose and say: that she resides in the City of Chicago, State of Illinois; that she is a Senior Vice President of Continental Casualty Company, an Illinois insurance company, National Fire Insurance Company of Hartford, an Illinois insurance company, and American Casualty Company of Reading, Pennsylvania, a Pennsylvania insurance company described in and which executed the above instrument; that she knows the seals of said insurance companies; that the seals affixed to the said instrument are such corporate seals; that they were so affixed pursuant to authority given by the Boards of Directors of said insurance companies and that she signed her name thereto pursuant to like authority, and acknowledges same to be the act and deed of said insurance companies.

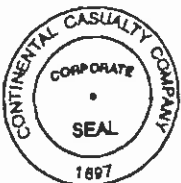


My Commission Expires September 17, 2013

*Eliza Price*  
Eliza Price Notary Public

CERTIFICATE

I, Mary A. Ribikawskis, Assistant Secretary of Continental Casualty Company, an Illinois insurance company, National Fire Insurance Company of Hartford, an Illinois insurance company, and American Casualty Company of Reading, Pennsylvania, a Pennsylvania insurance company do hereby certify that the Power of Attorney herein above set forth is still in force, and further certify that the By-Law and Resolution of the Board of Directors of the insurance companies printed on the reverse hereof is still in force. In testimony whereof I have hereunto subscribed my name and affixed the seal of the said insurance companies this 14th day of September, 2011.



Continental Casualty Company  
National Fire Insurance Company of Hartford  
American Casualty Company of Reading, Pennsylvania

*Mary A. Ribikawskis*  
Mary A. Ribikawskis Assistant Secretary

## Authorizing By-Laws and Resolutions

ADOPTED BY THE BOARD OF DIRECTORS OF CONTINENTAL CASUALTY COMPANY:

This Power of Attorney is made and executed pursuant to and by authority of the following By-Law duly adopted by the Board of Directors of the Company.

### "Article IX—Execution of Documents

Section 3. Appointment of Attorney-in-fact. The Chairman of the Board of Directors, the President or any Executive, Senior or Group Vice President may, from time to time, appoint by written certificates attorneys-in-fact to act in behalf of the Company in the execution of policies of insurance, bonds, undertakings and other obligatory instruments of like nature. Such attorneys-in-fact, subject to the limitations set forth in their respective certificates of authority, shall have full power to bind the Company by their signature and execution of any such instruments and to attach the seal of the Company thereto. The Chairman of the Board of Directors, the President or any Executive, Senior or Group Vice President or the Board of Directors, may, at any time, revoke all power and authority previously given to any attorney-in-fact."

This Power of Attorney is signed and sealed by facsimile under and by the authority of the following Resolution adopted by the Board of Directors of the Company at a meeting duly called and held on the 17<sup>th</sup> day of February, 1993.

"Resolved, that the signature of the President or any Executive, Senior or Group Vice President and the seal of the Company may be affixed by facsimile on any power of attorney granted pursuant to Section 3 of Article IX of the By-Laws, and the signature of the Secretary or an Assistant Secretary and the seal of the Company may be affixed by facsimile to any certificate of any such power and any power or certificate bearing such facsimile signature and seal shall be valid and binding on the Company. Any such power so executed and sealed and certified by certificate so executed and sealed shall, with respect to any bond or undertaking to which it is attached, continue to be valid and binding on the Company."

ADOPTED BY THE BOARD OF DIRECTORS OF AMERICAN CASUALTY COMPANY OF READING, PENNSYLVANIA:

This Power of Attorney is made and executed pursuant to and by authority of the following By-Law duly adopted by the Board of Directors of the Company.

### "Article VI—Execution of Documents

Section 3 Appointment of Attorney-in-fact. The Chairman of the Board of Directors, the President or any Executive or Senior Vice President may, from time to time, appoint by written certificates attorneys-in-fact to act in behalf of the Company in the execution of policies of insurance, bonds, undertakings and other obligatory instruments of like nature. Such attorneys-in-fact, subject to the limitations set forth in their respective certificates of authority, shall have full power to bind the Company by their signature and execution of any such instruments and to attach the seal of the Company thereto. The President or any Executive, Senior Vice President or the Board of Directors may at any time revoke all power and authority previously given to any attorney-in-fact."

This Power of Attorney is signed and sealed by facsimile under and by the authority of the following Resolution adopted by the Board of Directors of the Company at a meeting duly called and held on the 17<sup>th</sup> day of February, 1993.

"Resolved, that the signature of the President or any Executive, Senior or Group Vice President and the seal of the Company may be affixed by facsimile on any power of attorney granted pursuant to Section 2 of Article VI of the By-Laws, and the signature of the Secretary or an Assistant Secretary and the seal of the Company may be affixed by facsimile to any certificate of any such power and any power or certificate bearing such facsimile signature and seal shall be valid and binding on the Company. Any such power so executed and sealed and certified by certificate so executed and sealed shall, with respect to any bond or undertaking to which it is attached, continue to be valid and binding on the Company."

ADOPTED BY THE BOARD OF DIRECTORS OF NATIONAL FIRE INSURANCE COMPANY OF HARTFORD:

This Power of Attorney is made and executed pursuant to and by authority of the following By-Law duly adopted by the Board of Directors of the Company.

### "Article VII—Execution of Documents

Section 3. Appointment of Attorney-in-Fact. The Chairman of the Board of Directors, the President or any Executive or Senior Vice President may, from time to time, appoint by written certificates attorneys-in-fact to act in behalf of the Company in the execution of policies of insurance, bonds, undertakings and other obligatory instruments of like nature. Such attorneys-in-fact, subject to the limitations set forth in their respective certificates of authority shall have full power to bind the Company by their signature and execution of any such instruments and to attach the seal of the Company thereto. The Chairman of the Board of Directors, the President or any Executive, Senior Vice President or the Board of Directors, may, at any time, revoke all power and authority previously given to any attorney-in-fact."

This Power of Attorney is signed and sealed by facsimile under and by the authority of the following Resolution adopted by the Board of Directors of the Company at a meeting duly called and held on the 17<sup>th</sup> day of February, 1993.

"RESOLVED: That the signature of the President, an Executive Vice President or any Senior or Group Vice President and the seal of the Insurance Company may be affixed by facsimile on any power of attorney granted pursuant to the Resolution adopted by this Board of Directors on February 17, 1993 and the signature of a Secretary or an Assistant Secretary and the seal of the Insurance Company may be affixed by facsimile to any certificate of any such power, and any power or certificate bearing such facsimile signature and seal shall be valid and binding on the Insurance Company. Any such power so executed and sealed and certified by certificate so executed and sealed, shall with respect to any bond or undertaking to which it is attached, continue to be valid and binding on the Insurance Company."

# KENNEMER, MASTERS & LUNSFORD

CERTIFIED PUBLIC ACCOUNTANTS

Limited Liability Company

Lake Jackson Office  
8 West Way Court  
Lake Jackson Texas 77566  
(979) 297-4075 Fax (979) 297-6648  
(800) 399-4075

Houston Office  
12000 Westheimer Suite 105  
Houston Texas 77077  
(281) 752-0200 Fax (281) 752-0204

## Engagement Letter

June 14, 2011

To the Honorable Mayor and  
Members of City Council  
City of Freeport  
Freeport, Texas 77541

We are pleased to confirm our understanding of the services we are to provide the City of Freeport (the "City") for the year ended September 30, 2011. We will audit the financial statements of the governmental activities, the business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of the City as of and for the year ended September 30, 2011. Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to accompany the City's basic financial statements. As part of our engagement, we will apply certain limited procedures to the City's RSI. These limited procedures will consist principally of inquiries of management regarding the methods of measurement and presentation, which management is responsible for affirming to us in its representation letter. Unless we encounter problems with the presentation of the RSI or with procedures relating to it, we will disclaim an opinion on it. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis.
2. Schedule of Revenue, Expenditure, and Changes in Fund Balances – Budget and Actual – General Fund and Major Special Revenue Funds.
3. Texas Municipal Retirement System Schedule of Funding Progress – Last Three Years.
4. Texas Statewide Emergency Services Personnel Retirement Fund Schedule of Funding Progress – Last Three Years.

Supplementary information other than RSI also accompanies the City'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 will provide an opinion on it in relation to the basic financial statements:

1. Combining and Individual Fund Statements and Schedules.

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#### Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the additional information referred to in the first paragraph when considered in relation to the basic financial statements taken as a whole. Our audit will be conducted in accordance with generally accepted auditing standards established by the Auditing Standards Board (United States) and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the City and other procedures we consider necessary to enable us to express such opinions. If our opinions on the financial statements are other than unqualified, we will fully 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.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and compliance will include a statement that the report is intended solely for the information and use of management, the body (City Council) charged with governance, others within the entity, and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties. If during our audit we become aware that the City is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

#### Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. As part of the audit, we will prepare a draft of your financial statements and related notes. You are responsible for making all management decisions and performing all management functions relating to the financial statements and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the management representation letter that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee any nonaudit services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them.

To the Honorable Mayor and  
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Management Responsibilities - Continued

Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City and the respective changes in financial position in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the 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 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 or illegal acts 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 entity complies with applicable laws, regulations, contracts, agreements, and grants for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous audits or other engagements or studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits or other engagements 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. With regard to using the auditor's report, you understand that you must obtain our prior written consent to reproduce or use our report in bond offering official statements or other documents. With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your 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.

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#### Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute 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 entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. 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. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

#### Audit Procedures—Internal Controls

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. 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*.

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#### Audit Procedures—Internal Controls - Continued

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. 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 and *Government Auditing Standards*.

#### Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit 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*.

#### Audit Administration, Fees, and Other

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.

We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing. We will provide copies of our reports to the City; 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 Kennemer, Masters & Lunsford, LLC and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to a federal or state agency 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.

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Audit Administration, Fees, and Other - Continued

We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Kenemer, Masters & Lunsford, LLC 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 the federal or state agency. If we are aware that a federal or state awarding agency or auditee is contesting an audit finding, we will contact the parties contesting the audit finding for guidance prior to destroying the audit documentation.

We will coordinate the beginning dates for the audit fieldwork with appropriate City personnel later in the year (initial planning, interim, and year-end audit fieldwork). Based upon approximate fieldwork dates, we plan to issue a draft copy of our reports no later than February 3, 2012 and final reports by February 10, 2012. Tommy E. Masters, CPA is the account administrator and Kevin R. Cadenhead is the engagement partner and is responsible for supervising the engagement and signing the report.

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 estimate our fee to be \$ 26,250. 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 each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 120 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, 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 and to reimburse us for all out-of-pocket costs through the date of termination. 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.

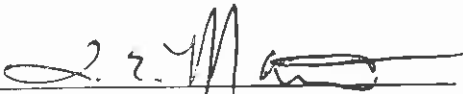
*Government Auditing Standards* require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2008 peer review report accompanies this letter. Further as a supplement to this letter, we are enclosing an explanation of certain of our Firm's Client Service Concepts. We have found that such explanation helps avoid misunderstandings and enhances our ability to work closely with our clients.



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We appreciate the opportunity to be of service to the City 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 enclosed copy and return it to us.

Very truly yours,  
Kennemer, Masters & Lunsford, LLC

By: 

\*\*\*\*\*

RESPONSE:

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

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

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## CITY OF FREEPORT

September 19, 2011(Date)

Agenda Item:	Resolution Committing Fund Balance in Accordance with GASB 54 including designations thereto
Administrator Responsible:	Bob Welch, Finance Director
Attachments:	GASB 54 Resolution Governmental Funds Balance Sheet GASB 54 Hierarchy
<input checked="" type="checkbox"/> Action Needed <input checked="" type="checkbox"/> For Discussion <input type="checkbox"/> Information <input type="checkbox"/> Other:	

**Background Information:**

The Governmental Accounting Standards Board (GASB) released Statement 54 -"Fund Balance Reporting and Governmental Fund Type Definitions" on March 11, 2009 which is effective for fiscal year ending September 30, 2011. This new Statement is intended to improve the usefulness of the amount reported in fund balance by providing more structured classification. This Statement applies to fund balance reported in the General Fund, Special Revenue Fund, Debt Service Fund and Capital Projects Fund. This Statement does not apply to Enterprise Funds and extremely restricted reserves.

Currently fund balance is classified as "reserved" or "unreserved." Unreserved fund balance may be further allocated into designated and undesignated. GASB 54 will change how fund balance is reported. The hierarchy of five possible GASB 54 classifications is as follows:

- **Non-spendable Fund balance** includes amounts not in spendable form, such as inventory, or amounts required to be maintained intact legally or contractually (principal endowment) (e.g, inventory, pre-paid items, permanent funds).
- **Restricted Fund Balance** includes amounts constrained for a specific purpose by external parties (e.g. Debt Service, Capital Projects, State and Federal Grant Funds).
- **Committed Fund Balance** includes amounts constrained for a specific purpose by a government using its highest level of decision making authority (e.g. Major Maintenance, Capital Replacement Reserve, Land, and Hurricane Reserve).
- **Assigned Fund Balance** includes general fund amounts constrained for a specific purpose by a governing board or by an official that has been delegated authority to assign amounts.
- **Unassigned Fund Balance** is the residual classification for the general fund.

## **CITY OF FREEPORT**

September 19, 2011 (Date)

In addition, governments will be required to disclose more information in the notes to financial statements about amounts reported in fund balance as follows:

- Description of authority and actions that lead to committed or assigned fund balance
- Government's policy regarding order in which restricted, committed, assigned, and unassigned amounts are spent (contained in attached resolution)
- Description of formally adopted minimum fund balance policies (contained in attached resolution)
- Encumbrances, if significant

### **Administrative Recommendation:**

(Action requested by September 30, 2011) It is recommended that the Council approve the resolution committing fund balances in Accordance with GASB 54 regulations as attached.

### **Sample Motion:**

(Action requested by (September 30, 2011) I move that the Council approve the resolution committing fund balances in Accordance with GASB 54 requirements as attached.

**City of Freeport**

**Resolution of the City Council of the City of Freeport  
Establishing Fund Balance Policies as required by GASB 54**

**WHEREAS**, the Governmental Accounting Standards Board ("GASB") has adopted Statement 54 ("GASB 54"), a new standard for governmental fund balance reporting and governmental fund type definitions that became effective in governmental fiscal years starting after June 15, 2010, and

**WHEREAS**, the City of Freeport (the "City") elects to implement GASB 54 requirements, and to apply such requirements to its financial statements beginning with the current (October 1, 2010 – September 30, 2011) fiscal year; and

**NOW THEREFORE BE IT RESOLVED THAT** the City of Freeport hereby adopts the following policy:

**FUND BALANCE POLICY**

Fund balance measures the net financial resources available to finance expenditures of future periods.

The City's Unassigned General Fund Balance will be maintained to provide the City with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The Unassigned General Fund Balance may only be appropriated by resolution of the City Council.

Fund Balance of the City may be committed for a specific source by formal action of the City Council. Amendments or modifications of the committed fund balance must also be approved by formal action of the City Council.

The City Council delegates authority to the City Manager or the Finance Director to assign funds, when it is appropriate.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

**NOW THEREFORE BE IT RESOLVED** that the City of Freeport City Council commits the following portions of its October 1, 2010, General Fund Balance of \$ \_\_\_\_\_ forward, as follows:

- \$ \_\_\_\_\_ is committed for future Capital Projects and related expenditures.
- \$ \_\_\_\_\_ is committed for \_\_\_\_\_.
- \$ \_\_\_\_\_ is committed for \_\_\_\_\_.
- \$ \_\_\_\_\_ is committed for \_\_\_\_\_.
- \$ \_\_\_\_\_ is committed for \_\_\_\_\_.

## City of Freeport

### Resolution of the City Council of the City of Freeport Establishing Fund Balance Policies as required by GASB 54 - Continued

**AND BE IT RESOLVED** that the City's financial goal is to have a sufficient balance in the operating fund with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The City shall strive to maintain a yearly fund balance in the general operating fund in which the total fund balance is \_\_\_ percent of the total operating expenditures and the Unassigned fund balance is \_\_\_ (which equals approximately \_\_\_ months) percent of the total operating expenditures.

The above Resolution is adopted this 19<sup>th</sup> day of SEPTEMBER 2011.

\_\_\_\_\_  
City Council President

\_\_\_\_\_  
City Council Secretary