

**SPECIAL MEETING AGENDA OF THE CITY COUNCIL OF HURST, TEXAS
CITY HALL, 1505 PRECINCT LINE ROAD
THURSDAY, SEPTEMBER 1, 2016 – 5:30 P.M.**

AGENDA:

5:30 p.m. - City Council Meeting (City Hall, Council Chamber)

CALL TO ORDER

INVOCATION (Councilmember David Booe)

PLEDGE OF ALLEGIANCE

CONSENT AGENDA

1. Consider approval of the minutes for the August 23, 2016 City Council meetings

PUBLIC HEARING(S) AND BUDGET RELATED ITEM(S)

2. Conduct a Public Hearing to consider tax rate for the City's 2016-2017 Fiscal Year Budget

ACTION ITEM(S)

3. Consider engagement with Rylander, Clay & Opitz, L.L.P. for professional auditing services

OTHER BUSINESS

4. Review of upcoming calendar items
5. City Council Reports

PUBLIC INVITED TO BE HEARD – A REQUEST TO APPEAR CARD MUST BE COMPLETED AND RETURNED TO THE CITY SECRETARY TO BE RECOGNIZED

ADJOURNMENT

Posted by: _____

This 26th day of August 2016, by 5:00 p.m., in accordance with Chapter 551, Texas Government Code.

This facility is wheelchair accessible and accessible parking spaces are available. Requests for accommodations or interpretive services must be made 48 hours prior to this meeting. Please contact the City Secretary's office at (817) 788-7041 or FAX (817) 788-7054, or call TDD 1-800-RELAY-TX (1-800-735-2989) for information or assistance.

**Minutes
Hurst City Council
Work Session
Tuesday, August 23, 2016**

On the 23rd day of August 2016, at 5:30 p.m., the City Council of the City of Hurst, Texas, convened in Work Session at Hurst City Hall, 1505 Precinct Line Road, Hurst, Texas, with the following members present:

Richard Ward	)	Mayor
Larry Kitchens	)	Mayor Pro Tem
Bill McLendon	)	Councilmembers
Henry Wilson)	
Nancy Welton)	
David Booe)	
Trasa Cobern)	
Clay Caruthers	)	City Manager
Cathy Cunningham	)	City Attorney
Rita Frick	)	City Secretary
Greg Dickens	)	Executive Director of Public Works
Malaika Marion	)	Managing Director of Community Services
Paul Brown	)	Managing Director of Finance

With the following Councilmembers absent: none, constituting a quorum; at which time, the following business was transacted:

I. Call to Order – The meeting was called to order at 5:30 p.m.

II. Informational Items

Grain & Dairy owner Josh Rogers briefly addressed the Council advising how nice it has been to open a business in Hurst. Councilmembers expressed how much they enjoyed the restaurant. City Manager Clay Caruthers advised Council he believes the issue is resolved with the developer's concern at 1200 Precinct Line Road. He noted the County's discussions regarding aerial spraying for West Nile, staff's belief the worst of the season has peaked, and did not believe aerial spraying is necessary at this time. He also noted a request from another Service Line Warranty Company for endorsement and stated the City will continue with National League of Cities endorsed companies.

III. Discussion of Agenda Item(s) 4, 5 and 6

Presentation of the Distinguished Budget Award from (GFOA) The Government Finance Officers Association.

Conduct a Public Hearing to consider the budget for fiscal year beginning October 1, 2016 and ending September 30, 2017.

Conduct a Public Hearing to consider tax rate for the City's 2016-2017 Fiscal Year Budget.

Councilmember Wilson noted a TML Magazine article highlighted another city for receiving the Distinguished Budget Award from (GFOA) The Government Finance Officers Association and the City of Hurst was not mentioned. City Manager Caruthers stated Hurst is one of the cities to receive the award for the longest time and he will check on publicizing these types of items. Mr. Caruthers advised Council that Budget Director Joni Baldwin will provide an overview of the budget and tax items in the regular meeting.

IV. Discussion of Agenda Item(s) 7

Presentation of Storm Water Management Plan Annual Report. Executive Director of Public Works Greg Dickens briefed Council on the annual report and noted City Engineer Duane Hengst will provide the presentation during the regular meeting.

V. Discussion of Agenda Item(s) 8

Consider Resolution 1653 calling for a public hearing for the purpose of considering amendments to land use assumptions, capital improvements plan, and water and wastewater impact fees. Executive Director of Public Works Greg Dickens briefed Council on the proposed Resolution calling for a public hearing for the purpose of considering amendments to land use assumptions, capital improvements plan, and water and wastewater impact fees.

VI. Discussion of Agenda Item(s) 9

Consider authorizing the city manager to enter into an agreement with ATMOS Energy Corporation concerning relocation of high pressure gas transmission main along Pipeline Road. Executive Director of Public Works Greg Dickens briefed Council on the proposed agreement with ATMOS Energy Corporation concerning relocation a of high pressure gas transmission main along Pipeline Road.

VII. Discussion of Agenda Item(s) 10

Consider authorizing the city manager to proceed with City facilities Christmas decorations project. Managing Director of Community Services Malaika Marion briefed Council on the proposed City Facilities Christmas Decorations project.

VIII. Adjournment - The work session adjourned at 6:25 p.m.

APPROVED this the 1st day of September 2016.

ATTEST:

APPROVED:

Rita Frick, City Secretary

Richard Ward, Mayor

**City of Hurst
City Council Minutes
Tuesday, August 23, 2016**

On the 23rd day of August 2016, at 6:30 p.m., the City Council of the City of Hurst, Texas, convened in Regular Meeting at City Hall, 1505 Precinct Line Road, Hurst, Texas, with the following members present:

Richard Ward	)	Mayor
Larry Kitchens	)	Mayor Pro Tem
Bill McLendon	)	Councilmembers
Henry Wilson)	
Nancy Welton)	
David Booe)	
Trasa Cobern)	
Clay Caruthers	)	City Manager
Cathy Cunningham	)	City Attorney
Rita Frick	)	City Secretary
Greg Dickens	)	Executive Director of Public Works
Paul Brown	)	Managing Director of Finance
Joni Baldwin	)	Budget Director
Malaika Marion	)	Managing Director Community Services

With the following Councilmembers absent: none, constituting a quorum; at which time, the following business was transacted:

The meeting was called to order at 6:30 p.m.

Councilmember Welton gave the Invocation.

The Pledge of Allegiance was given.

CONSENT AGENDA

1. Considered approval of the minutes for the July 30, August 9 and 16, 2016 City Council meetings.
2. Considered Resolution 1654 ratifying the actions of the Hurst Community Services Development Corporation.
3. Considered Ordinance 2326, second reading, adopting the Crime Control and Prevention District budget for fiscal year beginning October 1, 2016 and ending September 30, 2017.

Councilmember Wilson moved to pass the consent agenda. Motion seconded by Councilmember Booe. Motion prevailed by the following vote:

Ayes: Councilmembers McLendon, Booe, Kitchens, Cobern, Wilson and Welton
No: None

PUBLIC HEARING(S) AND BUDGET RELATED ITEM(S)

4. Presentation of the Distinguished Budget Award from (GFOA) The Government Finance Officers Association

Mayor Ward recognized Managing Director of Finance Paul Brown who reviewed the guidelines to receive the Distinguished Budget Award noting the numerous years the City has been recognized. He expressed appreciation to Budget Director Joni Baldwin and City Manager Clay Caruthers for their role in the budget process. City Manager Caruthers stated his appreciation to staff for a job well done and Councilmembers expressed their appreciation to staff and noted the importance of this document as a planning tool for the Council.

5. Conducted a Public Hearing to consider the budget for fiscal year beginning October 1, 2016 and ending September 30, 2017.

Mayor Ward announced a public hearing to consider the budget for fiscal year beginning October 1, 2016 and ending September 30, 2017 and recognized City Manager Clay Caruthers who stated the proposed document is a well thought through and prepared budget. He noted the proposed 2.2 cents reduction of the tax rate, is below the roll back rate and above the effective rate. Mr. Caruthers reviewed some of the elements included in the proposed budget, and introduced Budget Director Joni Baldwin who provided an overview of the proposed budget.

Ms. Baldwin reviewed the budget calendar noting the meeting on September 1, 2016 for the second public hearing on the tax rate, and the Council's consideration of the budget and tax rate scheduled for Council's regular meetings on September 13 and 27, 2016. Ms. Baldwin reviewed the Fiscal Year 2016-2017 proposed General Fund budget calendar. She reviewed the proposed General Fund budget of \$34,744, 929, a 3.83% increase from last year. Reviewed were total revenue and expenditure changes, the budget versus the municipal cost index, sales tax revenue and the appraised property valuation increase. City Manager Caruthers noted the Tarrant Appraisal District's software conversion last year, which caused two to three years value growth being dumped into this year. He stated the appraisal issues are the driving force of the proposed tax decrease. Ms. Baldwin reviewed where the money comes from and where the money goes along with the Pay as You Go program. She noted a proposed tax rate of \$0.5879, the effective tax rate of \$0.55101, and a rollback rate of \$0.58846. Ms. Baldwin reviewed the tax rate history, the distribution of the property tax rate with a Maintenance and Operation rate of \$.4616479 and Debt Service rate of \$.1262521 and explained the multiple factors to consider when comparing cities including exemptions. Ms. Baldwin reviewed the overlapping tax rates noting the cities portion of the overall rate was small compared to the school district. Staff reviewed the debt service fund and the daily dollars and cents impact for a homeowner is approximately \$.42.

Staff reviewed the Enterprise Fund of \$23,002,085, a 5.51% increase, primarily generated by pass through costs from the City of Fort Worth. The overall cost for water increased 1.31% and wastewater decreased 1.59%. Staff stated a 4.0% increase to the water and

sewer rates is being proposed, and it is simply to take care of the wholesale costs, which the City does not control. City Manager Caruthers recapped the wholesale costs and water and wastewater consumption, noting consumption has declined but wholesale costs escalated. He stated next year, staff will propose a consultant provide an in-depth study and analysis for the rates. Ms. Baldwin reviewed the Enterprise Fund expense changes and Pay As You Go projects.

Ms. Baldwin reviewed the Community Services Half Cent Sales Tax Fund noting revenue of approximately \$4.9 million. She also reviewed beginning and ending fund balances, along with proposed expenditures, noting this fund is a positive 22 cents on the property tax rate.

Ms. Baldwin reviewed other primary funds, noted the Council's vote on the budget scheduled September 13, 2016, at Hurst City Hall, 6:30 p.m, and the proposed budget summary.

There being no one to speak, Mayor Ward closed the public hearing.

Councilmember Kitchens commended staff on how well the budget was put together and also commended the Council on its approach to the budget this year. He stated he believes the budget is fair to the citizens, and does not cut services. Councilmember Booe noted the issues with health insurance cost and stated staff did a fantastic job to reduce costs on health insurance.

6. Conducted a Public Hearing to consider tax rate for the City's 2016-2017 Fiscal Year Budget.

Mayor Ward announced a public hearing to consider tax rate for the City's 2016-2017 Fiscal Year budget and recognized Managing Director of Finance Paul Brown who stated the hearing is required based on the Local Government Code. He stated the hearing provides the public with the opportunity make comments on the proposed tax rate of \$0.5879 for the City's 2016-2017 fiscal year budget. City Manager Clay Caruthers reviewed the effective tax rate of \$0.55101, noted the proposed rate is below the rollback rate of \$0.58846, the current rate of \$0.61056. He stated the proposed rate is a 2.2 cent decrease. He stated staff is not requesting a vote tonight, only a public hearing and an announcement for the Council to set the date and time for future consideration of the budget. He also noted the second public hearing, required by law, will be on September 1, 2016, City Hall at 5:30 p.m.

Councilmember Wilson announced that the Hurst City Council will vote on the adoption of a tax rate at public meetings to be held on September 13, 2016 and September 27, 2016 at 6:30 p.m. at Hurst City Hall.

There being no one to speak, Mayor Ward closed the public hearing.

PRESENTATION

7. Presentation of Storm Water Management Plan Annual Report.

Mayor Ward recognized City Engineer Duane Hengst who provided a presentation and review of the annual Storm Water Management Plan. He explained the current plan, the ongoing implementation of the plan, and what needs to be done in the future.

RESOLUTION(S)

8. Considered Resolution 1653 calling for a public hearing for the purpose of considering amendments to land use assumptions, capital improvements plan, and water and wastewater impact fees.

Mayor Ward recognized Executive Director of Public Works Greg Dickens who stated the proposed Resolution calls a public hearing for amendments to land use assumptions, capital improvements plan, and water and wastewater impact fees. He explained the City assesses water and wastewater fees per the Local Government Code and reviewed the purpose of the impact fee study, which is required in accordance with the Local Government Code. Mr. Dickens noted the Capital Improvement Advisory Committee, made up of the Planning and Zoning Commission, will review the update study, and provide comments to the Council before the public hearing.

Councilmember Booe moved to approve Resolution 1653 calling for a public hearing for the purpose of considering amendments to the land use assumptions, capital improvements plan, and water and wastewater impact fees. Motion seconded by Councilmember Cobern. Motion prevailed by the following vote:

Ayes: Councilmembers McLendon, Booe, Kitchens, Cobern, Wilson and Welton

No: None

ACTION ITEM(S)

9. Considered authorizing the city manager to enter into an agreement with ATMOS Energy Corporation concerning relocation of high pressure gas transmission main along Pipeline Road.

Mayor Ward recognized Executive Director of Public Works Greg Dickens who reviewed the proposed agreement with ATMOS Energy Corporation along the Pipeline Road project. Mr. Dickens noted the replacement of this transmission main is part of ATMOS's Capital Improvement Plan. He explained the agreement outlines how ATMOS can use the proposed 12-foot wide lane under the street and the City's responsibilities. He explained the City's Attorney has been involved in the discussions and negotiations over the last one and a half years and that staff feels the agreement is in the best interest of the citizens in Hurst and the region. Mr. Dickens stated the City will be receiving the benefit of the line being relocated during the construction of the Pipeline Road Phase 2 and that ATMOS plans to work with the City during future phases. City Manager Clay Caruthers stated he wanted to thank staff and the City Attorney for persistence and diligence on this project, which initially ATMOS wanted the City to pay \$1 million to share in the costs. Mr. Dickens stated Phase 2 begins at Precinct Line Road, then east to Loran Branch and Phase 3 will be east of Barbara and east to Harrison Lane.

Councilmember McLendon moved to authorize the city manager to execute the

agreement with ATMOS Energy Corporation concerning relocation of a high pressure gas transmission main along Pipeline Road. Motion seconded by Councilmember Welton.

In response to Councilmember Kitchens' question, Executive Director of Public Works Greg Dickens stated the City plans to start the road project the first of next year, and he estimates a 12 to 15 month program.

Motion prevailed by the following vote:

Ayes: Councilmembers McLendon, Booe, Kitchens, Cobern, Wilson and Welton

No: None

10. Considered authorizing the city manager to proceed with City facilities Christmas decorations project.

Mayor Ward recognized Managing Director of Community Services, Malaika Marion who reviewed the City Facilities Christmas Decorations Project, which includes replacement and new decorations for various City facilities. She stated staff has been working with Arnett Marketing, LLC, to select appropriate decorations for the new Hurst Justice Center and replacement decorations for other facilities. She stated the City can purchase directly from Arnett Marketing, LLC, as a BuyBoard low bidder and the City's electrical contractor, Ed's Electric, will also be utilized for installation.

Councilmember Cobern moved to authorize the city manager to proceed with the City Facilities Christmas Decorations Project, for an amount not to exceed \$56,934, with funding from the Special Projects Fund. Motion seconded by Councilmember Kitchens. Motion prevailed by the following vote:

Ayes: Councilmembers McLendon, Booe, Kitchens, Cobern, Wilson and Welton

No: None

OTHER BUSINESS

11. Mayor and Councilmembers reviewed the following advisory board meeting minutes:

-) Library Board
-) Parks and Recreation Board
-) Senior Citizen Advisory Board

In response to Councilmember Kitchen's question, Ms. Marion stated the medians referenced in the minutes were in front of Bell Helicopter on Highway 10. Councilmember Booe stated his appreciation to the Friends of the Library for the donation of copiers, Councilmember Cobern noted the wonderful job the Friends of the Library do with their funding raising sale.

12. Review of upcoming calendar items – No items were reviewed.
13. City Council Reports – Councilmember Wilson provided a brief report on his recent meeting with the TML Legislative planning committees and items that may go before the

Resolutions Committee and then to the Board during the upcoming session. He noted some of the major items include annexation, revenue and appraisal caps, and texting while driving issues.

Councilmember Kitchens stated he plans to attend a Cybersecurity meeting in Austin, which will address legislation efforts to improve the city's ability to address these concerns.

PUBLIC INVITED TO BE HEARD – A REQUEST TO APPEAR CARD MUST BE COMPLETED AND RETURNED TO THE CITY SECRETARY TO BE RECOGNIZED

Councilmember Welton introduced new Library Board member Margaret Coleman.

ADJOURNMENT

The meeting adjourned at 7:47 p.m.

APPROVED this the 1st day of September 2016.

ATTEST:

APPROVED:

Rita L. Frick, City Secretary

Richard Ward, Mayor

City Council Staff Report

SUBJECT: Conduct a Public Hearing to consider tax rate for the City's 2016-2017 Fiscal Year Budget	
Supporting Documents:	
Notice of Public Hearing	<p>Meeting Date: 9/1/2016</p> <p>Department: Fiscal Services</p> <p>Reviewed by: Joni Baldwin</p> <p>City Manager Review:</p>
Background/Analysis:	
<p>As required by the Local Government Code, Section 140.010, the "Notice of 2016 Tax Year Proposed Property Tax Rate for City of Hurst" was published on August 13, 2016, to advertise two (2) public hearings on August 23, 2016 and September 1, 2016, which provides the public with the opportunity to make comments on a proposed tax rate of \$0.5879 for the City's 2016-2017 Fiscal Year budget.</p>	
Funding and Sources:	
<p>There is no fiscal impact.</p>	
Recommendation:	
<p>The Tax Code Section 26.06 (d) requires that the City Council make the following announcement at the conclusion of the Public Hearing:</p> <p>The Hurst City Council will vote on the adoption of a tax rate at public meetings to be held on September 13, 2016 and September 27, 2016 at 6:30 p.m. at Hurst City Hall.</p>	

NOTICE OF 2016 TAX YEAR PROPOSED PROPERTY TAX RATE FOR CITY OF HURST

A tax rate of \$ 0.5879 per \$100 valuation has been proposed for adoption by the governing body of the City of Hurst. This rate exceeds the lower of the effective or rollback tax rate, and state law requires that two public hearings be held by the governing body before adopting the proposed tax rate.

The governing body of City of Hurst proposes to use revenue attributable to the tax rate increase for the purpose of providing services as presented in the City of Hurst's proposed 2016-2017 operating budget and public hearing presentation.

PROPOSED TAX RATE	\$0.5879	per \$100
PRECEDING YEAR'S TAX RATE	\$0.61056	per \$100
EFFECTIVE TAX RATE	\$0.55101	per \$100
ROLLBACK TAX RATE	\$0.58846	per \$100

The effective tax rate is the total tax rate needed to raise the same amount of property tax revenue for the City of Hurst from the same properties in both the 2015 tax year and the 2016 tax year.

The rollback tax rate is the highest tax rate that the City of Hurst may adopt before voters are entitled to petition for an election to limit the rate that may be approved to the rollback rate.

YOUR TAXES OWED UNDER ANY OF THE ABOVE RATES CAN BE CALCULATED AS FOLLOWS:

$$= (\text{rate}) \times (\text{taxable value of your property}) / 100$$

For assistance or detailed information about tax calculations, please contact:

Ron Wright

Tarrant County tax assessor-collector

100 E. Weatherford Street, Fort Worth, Texas 76196

817-884-1100

taxoffice@tarrantcounty.com

<http://www.tarrantcounty.com/etax/site/default.asp>

You are urged to attend and express your views at the following public hearings on the proposed tax rate:

First Hearing: August 23, 2016 @ 6:30 p.m. at Hurst City Hall, 1505 Precinct Line Rd, Hurst, Texas.

Second Hearing: September 1, 2016 @ 5:30 p.m. at Hurst City Hall, 1505 Precinct Line Rd, Hurst, Texas.

City Council Staff Report

SUBJECT: Consider Engagement With Rylander, Clay & Opitz, L.L.P. for Professional Auditing Services	
Supporting Documents:	
Engagement Letter	<p>Meeting Date: 9/1/2016</p> <p>Department: Fiscal Services</p> <p>Reviewed by: Paul Brown</p> <p>City Manager Review:</p>
Background/Analysis:	
<p>The accounting firm Rylander, Clay & Opitz, (RC&O) L.L.P. was selected as the City's auditors in 2014 for a five-year term. The 2016 fiscal year audit will be the third year of their current engagement.</p> <p>The primary objectives of the audit process are:</p> <ul style="list-style-type: none">) Conduct the audit in accordance with auditing standards generally accepted in the United States of America, including obtaining audit evidence about the amounts and disclosures in the financial statements.) Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.) Issue a report on our financial statements, as well as a report on RC&O's consideration of the City's internal control over financial reporting and RC&O's tests of our compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. <p>The FY 2015-16 audit engagement will be performed for a base fee of \$69,000. This is 3% higher than the prior year and remains consistent with the five year contract approved in 2014. RC&O will also conduct a Single Audit, if necessary, for a fee of \$3,500. In total, the FY 2015-16 audit engagement will be performed for a fee, not to exceed \$72,500, unless the scope of the engagement is changed or if unexpected conditions are encountered during the audit. Any proposed change will be discussed with the City Council.</p>	

The City Council Finance Committee will meet at 5:00 p.m. on September 1, 2016, to review the proposal and make a formal recommendation during the regular Council meeting.

Funding and Sources:

General and Enterprise Funds / Non-Departmental Divisions

Recommendation:

Staff recommends that the City Council move to engage the services of Rylander, Clay, & Opitz, L.L.P., to audit the City's financial records for the fiscal year ending September 30, 2016, for an overall base and Single Audit fee, not to exceed \$72,500



RICO RYLANDER, CLAY & OPITZ, LLP
CERTIFIED PUBLIC ACCOUNTANTS
Smart Solutions. Real Results

July 29, 2016

Honorable Mayor and City Council
City of Hurst, Texas
1505 Precinct Line Road
Hurst, Texas 76054

The Objective and Scope of the Audit of the Financial Statements

You have requested that we audit the financial statements of the City of Hurst, Texas' (the "City"), governmental activities, business-type activities, each major fund and aggregate remaining fund information as of and for the year-ended September 30, 2016 which collectively comprise the basic financial statements. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

Our audit will be conducted with the objective of our expressing an opinion on the financial statements.

The Responsibilities of the Auditor

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); "Government Auditing Standards" issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements.

In making our risk assessments, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

We will also communicate to the audit committee (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements that becomes known to us during the audit, and (b) any instances of noncompliance with laws and regulations that we become aware of during the audit (unless they are clearly inconsequential).

The funds that you have told us are maintained by the City and that are to be included as part of our audit are listed as an attachment.

The component unit whose financial statements you have told us are to be included as part of the City's basic financial statements are listed here.

The Hurst Community Services Development Corporation ("HCDC")
The Hurst Crime Control and Prevention District ("HCCPD")

The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework

Our audit will be conducted on the basis that management and when appropriate, those charged with governance, acknowledge and understand that they have responsibility:

- a. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
- b. To evaluate subsequent events through the date the financial statements are issued or available to be issued and to disclose the date through which subsequent events were evaluated in the financial statements. Management also agrees that they will not evaluate subsequent events earlier than the date of the management representation letter referred to below;
- c. For the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; and
- d. To provide us with:
 - (1) Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 - (2) Additional information that we may request from management for the purpose of the audit;
 - (3) Unrestricted access to persons within the City from whom we determine it necessary to obtain audit evidence;
 - (4) When applicable, a summary schedule of prior audit findings for inclusion in the single audit reporting package; and
 - (5) If applicable, responses to any findings reported on the schedule of findings and questioned costs.

As part of our audit process, we will request from management and when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit including among other items:



- a. That management has fulfilled its responsibilities as set out in the terms of this letter; and
- b. That it believes 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.

Management is responsible for identifying and ensuring that City complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud or abuse, and for informing us about all known or suspected fraud or abuse affecting the City involving management, employees who have significant roles in internal control, and others where the fraud or abuse could have a material effect on the financial statements or compliance. Management is also responsible for informing us of its knowledge of any allegations of fraud or abuse or suspected fraud or abuse affecting the City received in communications from employees, former employees, regulators, or others.

The audit committee is responsible for informing us of its views about the risks of fraud or abuse within the City, and its knowledge of any fraud or abuse or suspected fraud or abuse affecting the City.

The City agrees that it will not associate us with any public or private securities offering without first obtaining our consent. Therefore, the City agrees to contact us before it includes our reports or otherwise makes reference to us, in any public or private securities offering.

You have informed us that you may issue public debt in the future and that you may include our report on your financial statements in the offering statement. You have further informed us that you do not intend that we be associated with the proposed offering.

We agree that our association with any proposed offering is not necessary, providing the City agrees to clearly indicate that we are not associated with the contents of any such official statement or memorandum. The City agrees that the following disclosure will be prominently displayed in any such official statement or memorandum:

Rylander, Clay and Opitz LLP (“RCO”), our independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. RCO also has not performed any procedures relating to this official statement.

Because RCO will rely on the City and its management and audit committee to discharge the foregoing responsibilities, the City holds harmless and releases RCO, its partners, and employees from all claims, liabilities, losses, and costs arising in circumstances where there has been a knowing misrepresentation by a member of the City’s management which has caused, in any respect, RCO’s breach of contract or negligence. This provision shall survive the termination of this arrangement for services.

The City’s Records and Assistance

If circumstances arise relating to the condition of the City’s records, the availability of appropriate audit evidence, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, or misappropriation of assets, which in our



professional judgment, prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion, issue a report, or withdraw from the engagement.

During the course of our engagement, we may accumulate records containing data that should be reflected in the City's books and records. The City will determine that all such data, if necessary, will be so reflected. Accordingly, the City will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by City personnel, including the preparation of schedules and analyses of accounts, has been discussed and coordinated with Paul Brown and Kayleen Puiszis. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

In connection with our audit, you have requested us to perform certain non-audit services necessary for the preparation of the financial statements, including drafting the basic financial statements, required supplementary information, and compiling the CAFR. The independence standards of the "Government Auditing Standards" issued by the Comptroller General of the United States *GAS* require that the auditor maintain independence so that opinions, findings, conclusions, judgments, and recommendations will be impartial and viewed as impartial by reasonable and informed third parties. Before we agree to provide a non-audit service to the City, we determine whether providing such a service would create a significant threat to our independence for GAS audit purposes, either by itself or in aggregate with other non-audit services provided. A critical component of our determination is consideration of management's ability to effectively oversee the non-audit service to be performed. The City has agreed that Paul Brown, Fiscal Services, possesses suitable skill, knowledge, or experience and that the individual understands the services to be performed sufficiently to oversee them. Accordingly, the management of the City agrees to the following:

1. The City has designated Paul Brown, Fiscal Services, a senior member of management, who possesses suitable skill, knowledge, and experience to oversee the services.
2. Paul Brown, Fiscal Services will assume all management responsibilities for subject matter and scope of the services performed.
3. The City will evaluate the adequacy and results of the services performed.
4. The City accepts responsibility for the results and ultimate use of the services.

GAS further requires we establish an understanding with the management and those charged with governance of the City of the objectives of the non-audit service, the services to be performed, the City's acceptance of its responsibilities, the auditor's responsibilities, and any limitations of the non-audit service. We believe this letter documents that understanding.

Other Relevant Information

From time to time and depending upon the circumstances, we may use third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose confidential client information to them. We enter into confidentiality agreements with all third-party service providers and we are satisfied that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In addition, we may utilize financial information you have provided to us in connection with this engagement for purposes of creating benchmarking data to be used by RCO professionals and other clients. This



benchmarking data is aggregated with data from a minimum of five other entities so that users of the data are unable to associate the data with any single entity in the database.

Fees, Costs, and Access to Workpapers

Our fees for the audit and accounting services described above are based upon the value of the services performed and the time required by the individuals assigned to the engagement, plus direct expenses. Our fee estimate and completion of our work is based upon the following criteria:

- a. Anticipated cooperation from City personnel.
- b. Timely responses to our inquiries.
- c. Timely completion and delivery of client assistance requests.
- d. Timely communication of all significant accounting and financial reporting matters.
- e. The assumption that unexpected circumstances will not be encountered during the engagement.

If any of the aforementioned criteria are not met, then fees may increase. Interim billings will be submitted as work progresses and as expenses are incurred. Billings are due upon submission. Our fee for the services described in the letter will not exceed \$69,000 (plus \$3,500 if single audit is required) unless the scope of the engagement is changed. This situation will be discussed with senior management prior to additional work being performed. All other provisions of this letter will survive any fee adjustment.

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client in a key position. Accordingly, the City agrees it will compensate RCO for any additional costs incurred as a result of the City's employment of a partner or professional employee of RCO.

In the event we are requested or authorized by the City or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagement for the City, the City will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

You have informed us that you intend to prepare a comprehensive annual financial report (CAFR) and submit it for evaluation by the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting Program. Our association with the CAFR is to consist of the non-attest services mentioned above.

Claim Resolution

The City and RCO agree that no claim arising out of services rendered pursuant to this agreement shall be filed more than two years after the date of the audit report issued by RCO or the date of this arrangement letter if no report has been issued. The Client waives any claim for punitive damages. RCO's liability for all claims, damages and costs of the City arising from this engagement is limited to the amount of fees paid by the City to RCO for the services rendered under this arrangement letter.

If any term or provision of this Agreement is determined to be invalid or unenforceable, such term or



provision will be deemed stricken, and all other terms and provisions will remain in full force and effect.

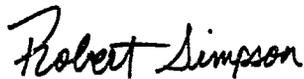
Reporting

We will issue a written report upon completion of our audit of the City's financial statements. Our report will be addressed to the City Council of the City. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

This letter constitutes the complete and exclusive statement of agreement between RCO and the City, superseding all proposals, oral or written, and all other communications, with respect to the terms of the engagement between the parties.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

RYLANDER, CLAY AND OPITZ, LLP



Robert Simpson, Partner

Confirmed on behalf of the City of Hurst, Texas:



ATTACHMENT A
FUNDS AND ACCOUNT GROUPS

- General Fund
- Debt Service Funds
 - Debt Service Fund
 - HCDC Debt Service Fund
 - Hotel/Motel Debt Service Fund
- Special Revenue Funds
 - HCDC Special Revenue Fund
 - Anti-Crime Special Revenue Fund
- Capital Projects Funds
 - Street/Drainage Improvements Fund
 - Special Projects Fund
 - 2006 C.O. Bond Fund
 - 2006 G.O. Bond Fund
 - 2007 C.O. Bond Fund
 - 2007 G.O. Bond Fund
 - 2008 C.O. Bond Fund
 - 2008 Hotel/Motel C.O. Bond Fund
 - 2008 HCDC C.O. Bond Fund
 - 2009 C.O. Bond Fund
 - 2012 G.O. Bond Fund
 - 2014 C.O. Bond Fund
 - 2016 Bond Funds
 - Escrow Projects Fund
- Enterprise Funds
 - Water and Sewer Fund
 - Conference and Meeting Center Fund
 - Stormwater Fund
- Internal Service Funds
 - Fleet Service Fund
 - Loss Reserve Fund
 - Information Services Fund
- General Fixed Asset Account Group
- General Long Term Debt Account Group



Future Event Calendar

September 1, 2016

DATE AND TIME	ACTIVITY
Thursday, September 1, 2016 5:30 p.m.	Special City Council Meeting City Council Chambers
Monday, September 5, 2016	Holiday City Offices Closed
Tuesday, September 6, 2016 5:30 p.m.	City Council Work Session Hurst Conference Center
Tuesday, September 13, 2016 6:30 p.m.	Regular City Council Meeting City Council Chambers
Tuesday, September 27, 2016 6:30 p.m.	Regular City Council Meeting City Council Chambers
Tuesday, October 11, 2016 6:30 p.m.	Regular City Council Meeting City Council Chambers
Tuesday, October 25, 2016 6:30 p.m.	Regular City Council Meeting City Council Chambers