MEMORANDUM

Date: 08.25.26
To: Mayor & Council
From: Scott Albert
Subject: Weekley Report for Week 08.25.26

The following report is not intended to be an all-inclusive summary of activities.

Audit Update for Fiscal Year 2023–24

Although the City received an audit for FY 2022–23 from Donald L. Allman, CPA, of Georgetown, the City's third-party Financial Advisor from ZacFinance had to reconcile the City's bank statements for May through September of 2023 in order to complete the bank reconciliations necessary for the FY 2023–24 audit.

Although an auditor does not necessarily require management to have completed every monthly bank reconciliation before issuing an audit opinion. The auditor must obtain sufficient appropriate audit evidence through other procedures to conclude that cash balances, transactions, and the financial statements are materially correct.

However, the fact that the City had five consecutive months of unreconciled bank accounts at the end of FY 2022–23, combined with missing transactions between the bank records and the general ledger, raises significant questions that warrant further review of the 2022-23 audit.

Ultimately, the auditor, Mr. Allman, needed to obtain sufficient appropriate audit evidence to support the City's year-end cash balances and the underlying activity. Since we now know that ZacTax/Finance had to reconcile the final five months of FY 2022–23, the City should request information from Mr. Allman explaining the audit procedures he performed to independently establish the accuracy and completeness of cash and related transactions before issuing his audit opinion.

I will be sending Mr. Allman a letter requesting that he explain the audit procedures he performed to verify the City's September 30, 2023, cash balances and the completeness and accuracy of transactions recorded in the City's general ledger.

Questions Raised Regarding the Published Audit for FY 2022-23

The published FY 2022–23 audit raises several legitimate questions that the City will seek to clarify.

1. Unmodified Audit Opinion
Mr. Allman issued an unmodified opinion, stating that the City's financial statements presented fairly, in all material respects, the City's financial position and related financial activity.

However, because September 2023—the City's fiscal year-end month—had not been reconciled, the City needs to understand what audit procedures Mr. Allman performed to obtain sufficient appropriate audit evidence supporting the City's cash accounts and the transactions flowing through those accounts.

2. Internal Controls and Risk Assessment
Mr. Allman stated that, during the audit, he obtained an understanding of internal controls relevant to the audit and designed audit procedures responsive to identified risks.

Five consecutive months without completed bank reconciliations would appear relevant to an auditor's assessment of cash-related internal controls and the risk of material misstatement.

The City should therefore request any auditor communications, management letters, or other applicable documentation provided to City management or those charged with governance addressing bank reconciliations, cash controls, or related accounting deficiencies.

3. Statement of Net Position
The audited Statement of Net Position reports primary-government cash balances as follows:

- Cash and cash equivalents: $858,051
- Restricted cash: $1,175,254
- Total: $2,033,305

Because the September 2023 bank accounts had not been reconciled by the City, the City should determine what audit evidence Mr. Allman relied upon to substantiate these reported balances.

4. Governmental-Fund Cash Balances

The governmental-fund balance sheet reports cash and cash equivalents as follows:

- General Fund: $904,034
- Debt Service Fund: $222,930
- Other Governmental Funds: $597,381
- Total Governmental Funds: $1,724,345

The City will request documentation identifying the audit procedures and supporting evidence used to substantiate the reported $1,724,345 in governmental-fund cash balances.

5. Presentation and Data-Quality Issues

There are also apparent presentation and data-quality issues in the published audit report. Several values display as "########," including amounts associated with property-tax revenue and a Debt Service Fund ending fund balance.

These errors raise concerns regarding the final review and quality-control process applied to the audit report before it was issued to the City. The City should request a corrected copy of the financial statements and determine whether the display errors affected only the presentation of the report or the underlying financial information.

6. Utility Fund Cash Activity

The Utility Fund makes the bank-reconciliation issue particularly important. The Utility Fund Statement of Cash Flows reports:

- Customer receipts: $2,705,657
- Payments for goods and services: ($1,560,133)
- Personnel payments: ($88,967)
- Net operating cash flow: $1,056,557
- Ending cash and cash equivalents: $308,960

Because five months of bank activity had not been reconciled by the City, the City needs to understand what procedures the auditor performed to validate the existence, accuracy, and completeness of the cash receipts and disbursements reflected in the audited financial statements.

7. Auditor's Report on Internal Control and Compliance

The audit also contains the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters.

Mr. Allman stated that, based on the audit procedures performed, he did not identify deficiencies in internal control that he considered to be material weaknesses. The report also appropriately notes the limitations of an audit of internal control, including that the work was not designed to identify every possible deficiency and that material weaknesses may exist without being identified.

Nevertheless, five consecutive months without completed bank reconciliations, culminating in an unreconciled fiscal year-end, represent a control condition that warrants further examination. The City should determine whether the auditor identified this condition during the audit, how it affected his risk assessment and audit procedures, and whether it was communicated to City management or those charged with governance.

Next Steps
At the end of this week, I intend to send Mr. Allman a formal letter requesting information and supporting documentation concerning multiple aspects of the FY 2022–23 audit.
My objective is to better understand the procedures Mr. Allman performed during the FY 2022–23 audit and reconcile those procedures with the condition of the City's accounting records that we are now reviewing.
At this time, the City is not making a determination regarding the adequacy of the FY 2022–23 audit or the appropriateness of the audit opinion. The City is seeking the underlying information necessary to understand how the September 30, 2023, financial position and related cash activity were substantiated and what audit procedures were performed in light of the unreconciled bank statements.

Ramirez Family 344 Packinghouse Road

Mayor and Council,

If you recall, at my first City Council meeting on July 14, a representative from Clayton Homes appeared before the Council requesting a variance from the 60-foot minimum lot-width requirement applicable to manufactured homes within the City's Manufactured Home (MH) Zoning District.

At that meeting, I advised the Council that the agenda was not structured for the Council to act as the Zoning Board of Adjustment and that the required public and property-owner notices likely not been provided.

Following the meeting, the Clayton Homes representative submitted a variance application on behalf of the Ramirez family. When I began preparing the newspaper notice and notices to adjacent property owners approximately two weeks ago, I needed to identify the specific section of the City's zoning regulations from which the variance was being requested.

During that review, I discovered a more fundamental zoning issue.

Ramirez Property

The property where the Ramirez family proposes to place the manufactured home is located within the **Second Residence Zoning District**. The minimum lot width in that district is 50 feet. Because the Ramirez property meets that requirement, I initially questioned why a variance from the lot-width requirement was necessary.

Further review of the City's zoning regulations revealed that the primary issue is not the width of the lot. Rather, **a manufactured home is not permitted by right within the Second Residence Zoning District.**

Chapter 58, Zoning, subsection 9 regarding Manufactured Homes (MH), generally provides that a manufactured or mobile home may not be placed on a parcel unless it is located within an approved manufactured home park or manufactured home subdivision. The City's regulations provide certain exceptions, including:

- A manufactured home may be permitted within an **Industrial Zoning District**.
- A person seeking to place a manufactured home outside an MH or Industrial Zoning District must obtain a **Special Use Permit**, subject to the City's applicable review and approval process.

Therefore, if the Ramirez family wishes to proceed with placing the manufactured home on their property, which is zoned Second Residence, they will need to submit an application for a **Special Use Permit** rather than a variance from the minimum lot-width requirement.

Special Use Permit

I will explain to the Ramirez family that a Special Use Permit is different from a variance. The Planning and Zoning Commission and City Council may consider conditions or restrictions they determine are appropriate and in the best interest of the community, consistent with the City's zoning authority and ordinances.

Depending upon the City's ordinance and the conditions ultimately approved, those conditions could address matters specific to the property and proposed use. If the City could impose a time limitation, the permit could potentially include an expiration date or other limitation on the duration of the approved use.

For that reason, the Ramirez family should fully understand any conditions associated with a Special Use Permit before proceeding with the placement of the manufactured home.

Citywide Manufactured Home Zoning

This review also identified a broader zoning issue that the Mayor, Council, and staff need to address.

Based on my review to date, **I have not identified an area on the City's current zoning map that is specifically designated as a Manufactured Home Zoning District**, despite the City's zoning regulations containing provisions for manufactured homes and manufactured home districts.

If the Mayor or any member of the Council is aware of a previous City Council action that designated an area of Taft specifically for manufactured or mobile homes, please let me know. I would like to locate the ordinance and determine whether that zoning designation should appear on the City's official zoning map.

If no such area was previously designated, I recommend that the City review and update its zoning map and manufactured-home regulations and consider whether one or more areas of the City should be specifically designated for manufactured homes.

2025 4A Comptroller Report

In December 2025, the Texas Comptroller emailed instructions to the City Manager regarding the filing of the 4A EDC Annual Report for Fiscal Year 2025. The required information was due to the Comptroller by April 1, 2026.

On July 28, 2026, I was notified that the City's 4A EDC report was significantly delinquent and that failure to file the report by the end of August could result in a fine being assessed against the City.

On August 24, 2026, I filed the required report with the Comptroller. However, I informed the Comptroller that I was not fully comfortable with the accuracy and completeness of the financial information available to prepare the report. Nevertheless, filing the report was necessary to bring the City into compliance and avoid potential penalties.

As anticipated, my subsequent review identified concerns regarding the timing and consistency of sales tax deposits into the City's TQIP/4A fund during FY 2024–25. Based on the bank records currently available, the following deposits were identified:

Month	Deposit
October 2024	No deposit
November 2024	$7,908.06
December 2024	$8,048.58
January 2025	$38,396.34
February 2025	$7,827.81
March 2025	$6,569.38
April–September 2025	No deposits

The January 2025 deposit of $38,396.34 appears to include sales tax revenues associated with several different months, including June, July, and August of the previous fiscal year, as well as October and January. Based on the information currently available, this appears to have been a catch-up deposit that included funds that should have been transferred during the previous fiscal year.

Of greater concern, no deposits were identified from April through September 2025, representing the final six months of FY 2024–25. The irregular timing of deposits, the apparent catch-up payment in January, and the absence of deposits during the final six months of the fiscal year raise concerns regarding the accounting and management of the 4A funds during this period.

When submitting the delinquent report to the State, I relied primarily on the bank records documenting the funds that were actually deposited into the applicable account. Those records, however, do not necessarily establish the amount of sales tax revenue that should have been allocated to the 4A EDC.

A more direct method of determining the amount that should have been deposited would be to review the City's actual sales tax collections reported by the Texas Comptroller and calculate the appropriate 4A allocation for each reporting period. However, with the FY 2025 audit still incomplete and adjustments to the City's general ledger for this period still pending, I was not comfortable creating accounting entries or reporting amounts that, while potentially representing what should have occurred, would not accurately reflect what actually occurred in the City's financial records.

Once the FY 2025 and FY 2026 audits and related reconciliations are completed, I anticipate that adjustments may be necessary among the City's funds. In particular, the General Fund balance may decrease because revenues currently recorded or retained in the General Fund may ultimately be determined to belong to the 4A EDC, 4B EDC, and/or Street Fund.

The completed audits and reconciliation process should provide a clearer accounting of the sales tax revenues received, the amounts that should have been allocated to each dedicated fund, the amounts actually transferred, and any corrective transfers or accounting adjustments that may be required.

Closing:

I have many other topics and updates that I would have liked to share with you and the public this evening. However, I am currently limited in the amount of time I am able to devote to communications and, therefore, have not been able to address everything I would have liked to include in this report.