

# BREEDLOVE & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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December 17, 2024

Council Members  
City of Simonton, Texas  
Simonton, Texas

We have audited the financial statements of the governmental activities, business-type activities, and the aggregate remaining fund information of City of Simonton, Texas (“the City”) for the year ended September 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 19, 2023. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2023. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements for the year ended September 30, 2023.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management will correct all such misstatements. The following material misstatements detected as a result of audit procedures will be corrected by the bookkeeper: beginning balances, interfund amounts and credit card activity.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 17, 2024.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Simonton, Texas’ auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

The auditor noted that funds held in accounts at NewFirst National Bank were not adequately secured throughout the year. The amounts in excess of FDIC insurance of \$250,000 are subject to credit risk.

The transition to the new accounting software remains incomplete with correct opening balances. Due to the delay in completing the setup of the new software, month-end accounting procedures are not being completed in a timely manner. We recommend that the accounting software setup be completed, and procedures be implemented to ensure appropriate and timely accounting functions, including but not limited to, monthly bank and credit card reconciliations and other asset and liability account reconciliations. In addition, we recommend that the Council consider appropriate staff training for full utilization of the accounting software in future years or consider entering into a service contract with a trained service provider that can maintain the accounting records and financial data.

During the audit there were instances where payroll tax deposits and reporting requirements were not made in a timely manner or the amount deposited did not reconcile to the amount due to be deposited. It is recommended that procedures be implemented to ensure that all filing and payment due dates are met timely and the amount remitted to the IRS are reconciled to the underlying documentation.

We recommend that an appropriate employee or Council member conduct an inventory of all capital assets and create a register of all assets owned by the City.

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Council Members and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Jill A. Henze