



**AGENDA ITEM REQUEST FORM
CITY OF JOHNSON CITY, TEXAS
CITY COUNCIL**

ITEM NO. 9

MEETING DATE: June 1, 2021

AGENDA PLACEMENT:

- Ceremonial
- Consent
- Individual
- Closed Session

CAPTION:

Presentation by qualified Certified Public Accountant firms submitting Statements of Qualifications for the completion of independent audits of the City of Johnson City's annual financial statements; discussion of and action on the selection of a Certified Public Accounting firm for the completion of the same for fiscal years ending September 30, 2020 through September 30, 2024; and authorizing the Mayor to negotiate and execute Engagement Letters between the City and selected firm on behalf of the City Council of the City of Johnson City. (Staff)

STRATEGIC WORK PLAN:

- Not Applicable
- Goal 1: Increase Housing Diversity
- Goal 2: Expand Quality Lodging
- Goal 3: Improve Code Enforcement
- Goal 4: Improve Streetscaping & Signage
- Goal 5: Improve Fire Safety
- Goal 6: Improve Streets
- Goal 7: Increase Publicity & Promotion of the Community
- Goal 8: Increase Economic Development Activities

EXECUTIVE SUMMARY:

City Staff provided written notice of termination to the City's current Auditor, Neffendorf & Blocker, P.C., on or about May 6, 2021. On the same date, the City issued a Request for Qualifications for Professional Auditing Services via website, publication in the Johnson City Record Courier, email, and mailed letters. Statements of Qualifications are due by May 27, 2021 at 5 p.m. As of the date of this cover sheet, City Staff has not received any Statements of Qualifications; however, received Statements will be scanned and emailed to City Council prior to the City Council meeting on June 1, 2021.

FINANCIAL: N/a

ATTACHMENTS: Request for Qualifications

SUGGESTED ACTION:

No motion provided; however, expeditious selection of a Certified Public Accountant firm is necessary to ensure that the Fiscal Year Ending September 30, 2020 annual financial statement is completed in a timely manner.

PREPARED BY: City Staff

DATE SUBMITTED: 5/25/21

CITY OF JOHNSON CITY, TEXAS



**REQUEST FOR QUALIFICATIONS
FOR
PROFESSIONAL AUDITING SERVICES**

**Rick Schroder
Chief Administrative Officer
303 E. Pecan Dr. (Physical)
P.O. Box 369 (Mailing)
Johnson City, TX 78636
830-868-7111, Ext. 8**

City of Johnson City, Texas
REQUEST FOR QUALIFICATIONS
Independent Professional Auditing Services

I. INTRODUCTION

The City of Johnson City is requesting qualifications from qualified firms of Certified Public Accountants to conduct an independent audit of its annual financial statements for the fiscal year ending September 30, 2020, with the option of auditing its financial statements for the four (4) subsequent fiscal years, subject to an annual review. The purpose of the audit engagement will be to obtain the independent auditor's opinion on whether the financial statements are presented fairly and in conformity with generally accepted accounting standards. The City reserves the right to change the scope of work from an annual financial report to a comprehensive annual financial report in the future.

II. DESCRIPTION OF THE CITY OF JOHNSON CITY

The City of Johnson City is a Type A General Law City incorporated in 1944. It is governed by a City Council consisting of the Mayor and five Council Members. The City's estimated population is 2,131.

III. SCOPE OF WORK TO BE PERFORMED

The scope and audit approach shall be in accordance with Governmental Auditing Standards. The scope of work desired by the City shall include, but not be limited to:

1. Preplanning and preliminary analytical review to include internal controls, assessing materiality comparing budgeted to actual, comparing current year results to prior year results and investigating unusual or unanticipated fluctuations.
2. Audit field work to examine minutes; contracts; budget procedures; cash; investments; revenues; receivables; expenses; payroll; fixed assets; debt; leases; fund balances; grant documents; policies, general procedures and any pending litigation, judgements or claims against the City.
3. A Management Letter containing all constructive comments regarding the City's current environment, as well as proactive information regarding implementation of GASB requirements.
4. A report on the fair presentation of the financial statements in conformity with generally accepted accounting standards.
5. Single audit concerns, where required.
6. Assist the City in meeting deadlines for compliance with the General Accounting Standards Board Rules.

The auditor shall communicate in a letter to management any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in design or operation of the control structure, which could adversely affect the organization's ability to

record, process, summarize, and report financial data consistent with the assertions of management in the financial statement.

Non-reportable conditions discovered by the auditor shall be reported in a separate letter to management, which shall be referred to in the reports on internal control.

All working papers and reports must be retained at the auditor's expense for a minimum of three (3) years, unless the firm is notified in writing by the City of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to the City. In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

IV. TIME REQUIREMENTS

Qualification Calendar:

Request for Qualification Issued: May 6, 2021

Due Date for Qualifications: May 27, 2021 at 5:00 p.m. CST

V. FIRM QUALIFICATION AND EXPERIENCE

To fully evaluate a firm's ability to serve the needs of the City, qualifications should, at a minimum, address the following areas, which will be the criteria for selection:

- Firm qualifications, experience, and ability of audit firm to deliver required services;
- Submit a copy of the firm's recent audit for a public organization;
- Qualifications and experience of assigned staff;
- A listing of similar engagements with other governmental entities (maximum of 5);
- Approach to providing the required services, including any first-year audit requirements;
- Detailed audit plan, including firm's technique and approach, analytical procedures proposed, sample size, and the extent to which statistical sampling is to be used;
- An affirmative statement that the firm and all assigned key professional staff are properly licensed to practice as a Certified Public Accountants in Texas;
- A detailed listing of the documentation to be provided by the City and the timing of said documentation delivery to the auditors;
- Identification of anticipated potential audit problems; and
- Report format.

IMPORTANT - Qualifications must be submitted in a sealed envelope. Faxed qualifications will not be accepted. Qualifications submitted in one original and two (2) copies are due at the City of Johnson City no later than 5:00 P.M. CST on May 27, 2021.

The City reserves the right to reject any or all qualifications submitted. At the discretion of the City, firms submitting qualifications may be requested to make oral presentations as part of the evaluation process.

Qualifications should be delivered or mailed to the following address:

Delivery Address

**City of Johnson City
303 E. Pecan Dr. (Physical)
P.O. Box 369 (Mailing)
Johnson City, TX 78636
Attn: Rick Schroder, Chief Administrative Officer**

Any Qualification received after the stated closing time will be returned unopened. Until the final award by the City of Johnson City City Council, the City reserves the right to reject any and/or all qualifications, to waive technicalities, to re-advertise, or otherwise proceed when in the best interest of the City.

Award of a contract is contingent upon the budgeting and appropriation of funds for continuation of the professional services contemplated by this Request for Qualification.

Rick Schroder is available to discuss any aspects of the annual audit, and he may be reached by telephone at 830-868-7111, Ext. 8, with any questions.

Proposer Warranties

- A. Proposer warrants that it is willing and able to comply with State of Texas laws.
- B. Proposer warrants that it is willing and able to obtain errors and omissions insurance coverage providing a prudent amount of coverage for the willful or negligent acts or omissions of any officers, employees, or agents thereof.
- C. Proposer warrants it will not delegate or subcontract its responsibilities under an agreement without the prior written permission of the City of Johnson City.
- D. Proposer warrants that all information provided by it in connection with this proposal is true and accurate.

Signature of Official: _____

Name (typed): _____

Title: _____

Firm: _____

Date: _____

City of Johnson City, Texas

Request for Qualifications
Independent Professional Auditing Services
For Fiscal Year Ended September 30, 2020

ORIGINAL

Michael Del Toro, CPA
Partner

7330 San Pedro Avenue, Suite 901
San Antonio, Texas 78216

www.abipcpa.com
(210) 341-2581

May 27, 2021

abip

CPAs | ADVISORS

CLIENT **FOCUSED.** RELATIONSHIP **DRIVEN.**

CITY OF JOHNSON CITY, TEXAS
REQUEST FOR QUALIFICATIONS
INDEPENDENT PROFESSIONAL AUDITING SERVICES
FISCAL YEAR ENDED SEPTEMBER 30, 2020

TABLE OF CONTENTS

	<u>PAGE</u>
Cover Letter	1-2
Firm Qualifications and Experience	3
Partner, Supervisory, and Staff Qualifications and Experience	4-6
Continuing Professional Education of Audit Team	7-8
Staff Rotation Plan	8
Similar Engagements with Other Government Entities	9
Audit Approach	9-11
Sampling	11
EDP Software	11
Analytical Procedures	11-12
Approach to Documenting and Understanding the Internal Control Structure	12
Compliance with Laws and Regulations	12
License to Practice in the State of Texas	12
Independence	13
Level of Assistance	13
Assurances	13
Prepared By Client List	13-15
Anticipated Potential Audit Problems	15
Attachments:	
Proposer Warranties	16
Sample Report	17-18
Resumes	19-23
Peer Review	24-25

May 27, 2021

City of Johnson City, Texas
303 E. Pecan Drive
Johnson City, Texas 78636

ABIP, PC (ABIP) is pleased to have the opportunity to submit this response to the request for qualifications to provide independent professional auditing services to the City of Johnson City, Texas (the City) for the fiscal year ended September 30, 2020 with the option to renew for four subsequent years.

Our audit will be performed in accordance with generally accepted auditing standards generally accepted in the United States.

Partners and team members will be assigned to your engagement based on your needs and their experience with the unique demands of Texas municipalities and government entities. With our professional team members, we can complete the audit in a timely and efficient manner.

Through our audit process and evaluation of the City's internal controls, we provide public confidence that your financial statements are fairly stated and that the City has complied with relevant laws and regulations. However, we provide more than just an opinion letter bound in a set of financial statements. Although it is our responsibility to provide an opinion on your financial statements, we also believe it is our obligation to offer workable recommendations on improvements to internal controls or compliance matters. In addition, we provide a year round resource for information and advice by staying abreast of new accounting pronouncements and auditing requirements and are pro-active in assisting our clients in implementing any changes required.

The task of selecting an auditor can be difficult. While certain attributes such as fees or firm size can be quantified, other, perhaps more relevant, factors cannot. Who can provide the most value? Who has the best communication skills? Who will be easiest to work with? Can they meet the deadlines? ABIP has a long list of satisfied governmental audit clients.

Your vote of approval of ABIP can be cast for the following reasons:


- ✓ Our partners and staff focus on governmental audits and have for many years.
- ✓ Our partners and staff have a reputation of excellent client retention, a strong indicator of client satisfaction.
- ✓ We are committed to quality, and we strive for excellence in all elements of our practice. Our peer reviews reflect this.
- ✓ We fully staff the block of time set aside for field work for timely completion and to be less disruptive to our audit clients.

We believe our combination of experience and a record of providing quality service to other municipalities and government clients makes ABIP the best qualified firm to provide the services requested by the City.

ABIP will be responsible for the services of this contract and will not delegate or subcontract any portions of the audit services.

Our office is located at 7330 San Pedro Avenue, Suite 901, San Antonio, Texas 78216, telephone (210) 341-2581, fax (210) 341-2588. I will serve as your engagement partner for the City's audit should we be selected as your independent auditors. As an authorized representative of the firm, I am empowered to submit this statement of qualifications and to sign a contract with the City. If we can be of any assistance or answer any questions concerning this proposal, please feel free to call or email Janet Pitman, Partner (jpitman@abipcpa.com) or myself (mdeltoro@abipcpa.com).

Sincerely,
ABIP, PC



Michael Del Toro, CPA
Partner

ABIP's Qualifications and Experience

ABIP is a regional firm with fully staffed offices in Houston and San Antonio, Texas. Our Houston office is located at 1717 St. James Place, Suite 500, Houston, Texas 77056, telephone (713) 954-2002. Our San Antonio office is located at 7330 San Pedro Avenue, Suite 901, San Antonio, Texas 78216, telephone (210) 341-2581. The services you have requested will be coordinated from and provided by the San Antonio office. ABIP has over 80 employees on staff. ABIP provides accounting, auditing, consulting, and tax planning and preparation services to various industries such as nonprofit, governmental, employee benefit plans, real estate, oil and gas, health care, construction, manufacturing, technology, and professional service companies. Our governmental audit team consists of a total of 13 individuals including 2 partners, 3 audit managers, 2 audit supervisors, and 6 audit team members.

The audit management team for the City consists of Michael Del Toro, Janet Pitman, Jeremy Barbatto, Scot Woodland, and Kyle Layer. All of these individuals will be employed on this engagement on a full-time basis. No staff will be assigned on a part-time basis for your audit.

ABIP is not proposing on this engagement as a joint venture or consortium.

ABIP is and has been a member of both the American Institute of Certified Public Accountants and the Texas Society of Certified Public Accountants. As such, we are members the AICPA Peer Review Board, which requires us to have an on-site review once every 3 years. The peer review is conducted by a team of CPA's and the review is performed under standards set by the American Institute of Certified Public Accountants. A peer review report is issued on whether our firm complied with the stringent quality control standards as required by the American Institute of Certified Public Accountants. In our last review for the year ended December 31, 2017, our firm received the highest possible rating in its peer review; a peer review rating of *pass*. We have included a copy of our most recent external quality control review, which included a review of specific government, employee benefit plans, and OMB A-133 engagements.

ABIP is also a member of the Governmental Audit Quality Center, (GAQC); a division under the AICPA. The GAQC is a voluntary membership for CPA firms that perform governmental audits which promotes the importance of quality governmental audits and the value of such audits. The GAQC defines a governmental audit as audits that include single audits and financial statement audits of both nonprofits and governmental entities. The GAQC provides valuable tools to help their members perform quality governmental audits as well as alerts that contain critical and time sensitive information about audit developments.

The firm has had no federal or state desk reviews or field reviews of its audits during the past three (3) years. In addition, the firm has never had any disciplinary action taken, nor are there any pending reprimands from the AICPA, state board, state society, SEC, state or federal regulatory bodies or other professional organizations.

As a client of ABIP, you receive many benefits beyond specific professional audit services. Our professional personnel are provided with current and relevant training, which is designed to keep them up to date in the ever-changing environment in which we practice. We attend and conduct formal training programs covering current technical developments in the governmental accounting and auditing fields and can provide Continuing Professional Education credits to City staff. Throughout the year we provide our governmental clients with technical information on subjects of importance and interest including, but not limited to, interpreting and implementing new accounting standards and regulations as well as determining their impact on the City. In addition, all personnel of ABIP, (audit and tax) are available throughout the year to provide technical assistance and advice to the City of Johnson City, Texas, as needed. Routine questions will be answered at no charge.

Mike, Janet, and Jeremy are readily available to respond to our clients inquiries. We work together as a team and stay knowledgeable of our clients' affairs – even if you call one individual the others are kept informed of the various inquiries/situations. Our average turnaround time to respond to questions or requests is within the day of the request. Urgent questions or requests would be handled immediately.

Partner, Supervisory, and Staff Qualifications and Experience

The audit management team for the City consists of Michael Del Toro, Janet Pitman, Jeremy Barbatto, Scot Woodland, and Kyle Layer. All of these individuals will be employed on this engagement on a full-time basis.

Michael Del Toro, CPA, Partner

As the lead partner on the engagement, Mike will coordinate the services of our firm with the City and will have overall responsibility for the audit and any matters related to the audit. Mike will develop the overall audit approach and the audit plan, review the activities of the other team members, and assist in execution of audit work. Michael has over twenty (20) years of experience in auditing and accounting for Texas counties and government entities. Michael is licensed to practice as a certified public accountant in Texas. Michael has experience in financial and compliance audits of Texas municipalities and governmental related entities including:

- *City of Alamo Heights, Texas
- *City of Boerne, Texas
- *City of Live Oak, Texas
- *City of Leon Valley, Texas
- *City of San Marcos, Texas
- City of Universal City, Texas
- City of Cibolo, Texas
- City of Hill Country Village, Texas
- City of Shavano Park, Texas
- City of Somerset, Texas
- *City of Schertz, Texas
- *Hays County, Texas
- *Comal County, Texas
- Cibolo Creek Municipal Authority
- Karnes County, Texas
- *Bexar County, Texas
- Southwest Independent School District
- Judson Independent School District
- Education Service Center, Region 20
- *North East Independent School District
- *Bexar Appraisal District
- *San Antonio River Authority
- *Guadalupe-Blanco River Authority

Janet Pitman, CPA, Concurring Partner

As concurring partner, Janet will provide a technical review of the audit as well as provide technical assistance throughout the audit as needed. Janet has over twenty-five (25) years of experience in auditing and accounting for Texas counties and government entities. Janet is licensed to practice as a certified public accountant in the State of Texas. Janet has experience in financial and compliance audits of Texas municipalities and governmental related entities including:

- *City of Alamo Heights, Texas
- *City of Boerne, Texas
- *City of San Marcos, Texas
- *City of Live Oak, Texas
- *City of Leon Valley, Texas
- City of Universal City, Texas
- City of Cibolo, Texas
- City of Hill Country Village, Texas

City of Shavano Park, Texas
City of Somerset, Texas
*City of Schertz, Texas
*Hays County, Texas
Karnes County, Texas
*Comal County, Texas
*Bexar County, Texas
Kerr County, Texas
Kendall County, Texas
Cibolo Creek Municipal Authority
Southwest Independent School District
Judson Independent School District
Education Service Center, Region 20
*North East Independent School District
*Bexar Appraisal District
*San Antonio River Authority
*Guadalupe-Blanco River Authority

Jeremy Barbatto, CPA, Audit Manager

As audit manager, Jeremy will perform work under the direct supervision of the partners. His functions will be gathering data and performing detail tests, such as vouching expenses and determining eligibility of costs. Jeremy has ten (10) years in public accounting with an emphasis in Texas counties and government audits. Jeremy is licensed to practice as a certified public accountant in Texas. Jeremy has experience in financial and compliance audits of Texas municipalities and governmental related entities including:

*City of Alamo Heights, Texas
*City of Boerne, Texas
*City of San Marcos, Texas
*City of Live Oak, Texas
*City of Leon Valley, Texas
City of Universal City, Texas
City of Cibolo, Texas
City of Hill Country Village, Texas
City of Shavano Park, Texas
City of Somerset, Texas
*Hays County, Texas
*Comal County, Texas
Karnes County, Texas
Cibolo Creek Municipal Authority
Judson Independent School District
Southwest Independent School District
*Guadalupe-Blanco River Authority
Education Service Center Region 20
Cibolo Creek Municipal Authority
*Bexar Appraisal District
*Guadalupe-Blanco River Authority
*San Antonio River Authority

Scot Woodland, Audit Supervisor

As audit supervisor, Scot will perform work under the direct supervision of the partners and manager. His functions will be gathering data and performing detail tests, such as vouching expenses and determining eligibility of costs. Scot has six (6) years of experience in auditing and accounting for government entities. Scot is CPA eligible and is currently seeking this delegation. Scot has experience in financial and compliance audits of Texas municipalities and governmental related entities including:

- *City of Alamo Heights, Texas
- *City of Live Oak, Texas
- City of Universal City, Texas
- City of Hill Country Village, Texas
- City of Rollingwood, Texas
- *City of San Marcos, Texas
- City of Floresville, Texas
- City of Windcrest, Texas
- City of Fredericksburg, Texas
- City of Woodcreek, Texas
- *Hays County, Texas
- *Comal County, Texas
- Karnes County, Texas
- Cibolo Creek Municipal Authority
- Judson Independent School District
- *North East Independent School District
- *Guadalupe-Blanco River Authority
- *North East Independent School District

Kyle Layer - Audit Supervisor

As audit supervisor, Kyle will perform work under the direct supervision of the partners, manager and supervisor. His functions will be gathering data and performing detail tests, such as vouching expenses and determining eligibility of costs. Kyle is CPA eligible and is currently seeking this designation. Kyle has over four (4) years of experience in financial and compliance audits of Texas counties and governmental related entities including:

- *City of Alamo Heights, Texas
- *City of Live Oak, Texas
- City of Universal City, Texas
- City of Hill Country Village, Texas
- City of Rollingwood, Texas
- *City of San Marcos, Texas
- City of Floresville, Texas
- City of Windcrest, Texas
- City of Fredericksburg, Texas
- City of Woodcreek, Texas
- *Hays County, Texas
- *Comal County, Texas
- Karnes County, Texas
- Cibolo Creek Municipal Authority
- Judson Independent School District
- *North East Independent School District
- *Guadalupe-Blanco River Authority
- *North East Independent School District
- *Bexar County, Texas

* Denotes clients who have received GFOA's Certificate of Achievement for Excellence in Financial Reporting.

Attached to this request for qualifications are the resumes of Michael, Janet, Jeremy, Scot, and Kyle that provide additional information on their education, experience, and memberships in professional organizations.

Continuing Professional Education of Audit Team

ABIP requires all accountants that will be involved in governmental audits to complete a minimum of 80 hours of continuing education in a two year period in accounting and auditing with a minimum of 20 hours each year and with at least 24 hours of the 80 hours in governmental courses. This is done in order to comply with Governmental Auditing Standards. All employees have met or exceeded this requirement. Additional State Board requirements for all licensed professionals to have 120 hours every three years were also met.

Detailed CPE information for staff to be assigned to the engagement is as follows:

MICHAEL DEL TORO, CPA

Course Title:	Dates
2021 Annual Required GAQC Webcast	May 4, 2021
25 th Annual Governmental GAAP Update	November 5, 2020
2020 Governmental Accounting and Single Audit Conference	September 29, 2020
Implementing the CARES Act Coronavirus Relief Fund	August 27, 2020
2020 OMB Compliance Supplement and Single Audit Update	June 20, 2020
Texas School District Accounting and Auditing Conference	June 1-2, 2020
2020 Nonprofit Organizations Conference	May 19, 2020
2020 GAQC Annual Update Webcast	May 5, 2020
Fiduciary Activities Implementation Considerations	February 6, 2020
Ethics and Values for Texas CPA's and Accounting Professionals	December 9, 2019
Governmental Accounting and Single Audits Conference	October 1, 2019
Texas School District Accounting and Auditing Conference	June 4-5, 2019

JANET PITMAN, CPA

Course Title:	Dates
25 th Annual Governmental GAAP Update	November 5, 2020
2020 Governmental Accounting and Single Audit Conference	September 29, 2020
Implementing the CARES Act Coronavirus Relief Fund	August 27, 2020
2020 OMB Compliance Supplement and Single Audit Update	June 20, 2020
Texas School District Accounting and Auditing Conference	June 1-2, 2020
2020 Nonprofit Organizations Conference	May 19, 2020
2020 GAQC Annual Update Webcast	May 5, 2020
Not-for-Profit Accounting and Auditing Update	August 22, 2019
2019 Compliance Supplement and Single Audit Update	June 5, 2019
Texas School District Accounting and Auditing Conference	June 4-5, 2019

JEREMY BARBATTO, CPA

Course Title:	Dates
2021 Annual Required GAQC Webcast	May 4, 2021
25 th Annual Governmental GAAP Update	November 5, 2020
2020 Governmental Accounting and Single Audit Conference	September 29, 2020
Implementing the CARES Act Coronavirus Relief Fund	August 27, 2020
2020 OMB Compliance Supplement and Single Audit Update	June 20, 2020
Texas School District Accounting and Auditing Conference	June 1-2, 2020
2020 Nonprofit Organizations Conference	May 19, 2020
2020 GAQC Annual Update Webcast	May 5, 2020
Coronavirus/COVID-19-Business Planning and Impacts	March 20, 2020
Ethics and Values for Texas CPAs and Accounting Professionals	December 9, 2019
Governmental Accounting and Single Audits Conference	October 1, 2019
Texas School District Accounting and Auditing Conference	June 4-5, 2019

SCOT WOODLAND

Course Title:	Dates
2021 Annual Required GAQC Webcast	May 4, 2021
25 th Annual Governmental GAAP Update	November 5, 2020
2020 Supplement and COVID -19 Single Audit Implications	September 9, 2020
Texas School District Accounting and Auditing Conference	June 1-2, 2020
2020 Nonprofit Organizations Conference	May 19, 2020
2020 GAQC Annual Update Webcast	May 5, 2020
Governmental Accounting and Single Audits Conference	October 1, 2019
Governmental Accounting and Single Audits Conference	October 1, 2019
Maximizing Analytic Procedures Audit Evidence	August 30, 2019
Substantive Analytic Procedures	August 30, 2019
Analytical Procedure Fundamentals	August 30, 2019
Companion to PPC’s Guide to Audits of Local Governments	August 23, 2019
Not-for-Profit Accounting and Auditing Update	August 22, 2019
Texas School District Accounting and Auditing Conference	June 4-5, 2019

KYLE LAYER

Course Title:	Dates
2021 Annual Required GAQC Webcast	May 4, 2021
25 th Annual Governmental GAAP Update	November 5, 2020
2020 OMB Compliance Supplement and Single Audit Update	June 30, 2020
Real World Frauds in Governments	June 30, 2020
Texas School District Accounting and Auditing Conference	June 1-2, 2020
2020 Nonprofit Organizations Conference	May 19, 2020
2020 GAQC Annual Update Webcast	May 5, 2020
Governmental Accounting and Single Audits Conference	October 1, 2019
Maximizing Analytic Procedures Audit Evidence	August 30, 2019
Substantive Analytic Procedures	August 30, 2019
Analytical Procedure Fundamentals	August 30, 2019
Companion to PPC’s Guide to Audits of Local Governments	August 23, 2019
Not-for-Profit Accounting and Auditing Update	August 22, 2019
Texas School District Accounting and Auditing Conference	June 4-5, 2019

Staff Rotation Plan

It would be our intention to commit the above noted audit team over the term of the contract to the fullest extent possible. However, at the City’s request, we can rotate personnel over the term of the contract. We understand that the City retains the right to approve or reject any replacement of staff. Our firm can provide equally competent personnel to replace the key personnel named on the audit team. ABIP’s partners and managers are actively involved in the daily detail procedures of the audit engagement which provides for continuity on the engagement from year to year in the event of staff turnover. In addition, this allows us to supervise our staff, catch any major issue early and be available for questions from you.

Similar Engagements with Other Government Entities

Out of the San Antonio, Texas office we **currently** provide professional audit services for the following entities:

1. City of San Marcos, Texas, Financial and Compliance Audit; GASB 34 Implementation; Utility Operations
Comprehensive Annual Financial Report Awarded
Contact: Ismael Garcia – Accounting Manager, (512) 393-8178
September 30, 2013-present
Engagement Partner – Janet A. Pitman
Approximate Total Hours: 450
2. City of Live Oak, Texas, Financial and Compliance Audit; GASB 34 Implementation; Utility Operations; Economic Development Corporation
Comprehensive Annual Financial Report Awarded
Contact: Leroy Kowalik – Director of Finance, (210) 653-9140
September 30, 2010-present
Engagement Partner – Janet A. Pitman and Michael Del Toro
Approximate Total Hours: 350
3. City of Boerne, Texas, Financial and Compliance Audit; Utility Operations
Comprehensive Annual Financial Report Awarded
Contact: Sandra Mattick – Director of Finance, (830) 248-1507
September 30, 2017-present
Engagement Partner – Janet A. Pitman
Approximate Total Hours: 350
4. City of Alamo Heights, Texas, Financial and Compliance Audit; GASB 34 Conversion; Utility Operations
Comprehensive Annual Financial Report Awarded
Contact: Robert Galindo – Director of Finance, (210) 882-1502
June 30, 2013-present
Engagement Partner – Janet A. Pitman and Michael Del Toro
Approximate Total Hours: 300
5. City of Universal City, Texas, Financial and Compliance Audit; GASB 34 Conversion; Utility Operations; Industrial Development Corporation
Contact: Jessica Moore – Director of Finance, (210) 659-0333
September 30, 2006 -present
Engagement Partner – Janet A. Pitman
Approximate Total Hours: 250

Audit Approach

Upon acceptance as the City's independent auditor, we will establish the terms of the engagement in an engagement letter addressed to the City Council. Once the engagement letter has been signed by the City, we can begin our audit.

Our audit approach is divided into four (4) stages: 1) planning and risk assessment, 2) audit fieldwork, 3) audit conclusion, and 4) audit communication.

The American Institute of Certified Public Accountants Auditing Standards Board issued Statements on Auditing Standards relating to the assessment of risk in an audit of financial statements.

The primary objective of these statements is to enhance the application of the audit risk model by specifying, among other things:

- Increased understanding of the City and its environment, including its internal control; to identify the risks of material misstatement in the financial statements and what the City is doing to mitigate them.
- Rigorous assessment of the risks of material misstatement of the financial statements based on that understanding.
- Improved linkage between the assessed risks and the nature, timing, and extent of audit procedures performed in response to those risks.

Planning and risk assessment is essential to ensure a quality audit, efficient use of professional team members, timely delivery of reports and other letters, and to reach the objectives agreed to in the engagement letter. Adequate planning of the audit is also essential to minimize disruption of the ongoing daily operations of the City. Planning and risk assessment activities include both general planning and the designing of government audit programs specifically tailored for the City based on our risk assessment. Our general planning procedures include, but are not limited to, preliminary consideration of audit risk and materiality, the effects of computer processing on the audit of the City's financial statements, documentation of our understanding of the City's environment, operations, and the internal control structure, performance of preliminary analytical review procedures to assist in planning the nature, timing and extent of other procedures and a consideration of the risk of material misstatement due to fraud. In order to determine which laws, rules, and regulations will be subject to audit testing, we will review the City's revenue sources and operations. At the conclusion of our planning, we will coordinate with the City, a list of items and external confirmations that we will need for the audit fieldwork. In addition, based on our risk assessment, we will have prepared our specifically tailored government audit programs for the City.

Audit fieldwork is the performance of our specifically tailored audit programs. This includes testing management's assertions over the financial statements through inquiry, analytical procedures, observation, scanning, inspection, reperformance, confirmation, and other audit procedures.

In order to form an opinion on the City's financial statements, we will obtain and evaluate evidence to support management's assertions over the financial statements. Assertions can be classified in the following broad categories:

- *Existence or Occurrence.* Reported assets and liabilities actually exist at the balance sheet date, and transactions reported in the operating statement actually occurred during the period covered.
- *Completeness.* All transactions and accounts that should be included in the financial statements are included, and there are no undisclosed assets, liabilities, or transactions.
- *Accuracy.* Amounts and other data relating to recorded transactions and events have been recorded accurately.
- *Rights and Obligations.* The City owns and has clear title to the assets, the liabilities are obligations of the City, and the City was actually a party to reported transactions.
- *Cutoff.* Transactions and events have been recorded in the correct accounting period.
- *Valuation or Allocation.* The assets and liabilities are valued properly, and the revenues and expenses are measured properly.
- *Presentation and Disclosure.* The assets, liabilities, revenues, and expenses are properly described and disclosed in the financial statements.

At the conclusion of our fieldwork we will review, summarize, and evaluate the results of our audit tests. Specific conclusion procedures include, but are not limited to, analytical procedures as an overall review of the financial information, a search for commitments and contingencies, determination of subsequent events, an evaluation of overall materiality, and an internal detailed review of all work prepared by audit team members. We will also obtain certain written management representations from the City.

It is our standard practice to issue a management letter with appropriate recommendations for improvement as part of the audit process. The letter is a result of our internal control documentation over the processes at the City (cash receipts, cash disbursements, payroll disbursements, etc.) and our testing of the existence of those internal controls and other observations. A draft of the letter is always reviewed with management to ensure we have an accurate understanding of the City's systems and procedures.

We will coordinate the exit conference to be held with the management in order to summarize the results of the fieldwork, review the draft of the financial statements and management letter comments, and report on other required communications. In conclusion, we will present the results of the audit to the City Council of the City of Johnson City, Texas.

Sampling

Our firm uses both statistical sampling, when the data sets allow, and nonstatistical sampling plan from Practitioners Publishing Company's (PPC's) adopted from the AICPA, which is a comprehensive and systematic plan that focuses directly on the assessment of audit risk and integrates statistical theory with the use of audit judgment. The plan provides for the translation of subjective audit judgments into quantitative terms for the following key features:

- Tolerable Misstatement
- Reliance on Internal Control
- Evidence from Analytical Review or Other Related Substantive Procedures
- Inherent Risk Associated with the Engagement and the Specific Items to be Sampled

This plan is used in performing the audit whenever sampling is considered appropriate, including samples for purposes of testing compliance. The areas where sampling is often used include receivables, revenue, cash disbursements, federal program compliance testing, payroll disbursements, and accounts payable. Sample size is determined by various factors such as control risk, tolerable exception rate, population size, individually significant or unusual items within the account balance.

EDP Software

We make full use of information technology to help us improve the effectiveness, efficiency, and economy of our audits. We use ProSystem fx Engagement trial balance software. We can import financial data from your working trial balance and use it to record journal entries, prepare lead schedules, prepare combined schedules, etc. Our audit team members have been trained to use this product. We perform most our procedures on-site for improved job efficiency however if necessary we can work remotely by providing management with access to a sharefile to securely share electronic information between the City and our audit team.

Analytical Procedures

Analytical procedures can be applied to almost every financial statement amount. Included in our audit programs are various analytical procedures that we will perform on the City's audit as part of our risk assessment of the engagement, performing substantive procedures, and reviewing the results of the audit process. Some of these procedures include:

- Reviewing changes from the prior year for reasonableness
- Analyzing and comparing nonfinancial information

- Scanning accounts for items larger or smaller than expected when compared to budgets or expected amounts
- Reviewing and comparing logical relationships between years
- Comparing data to industry statistics for entities of similar size

Approach to Documenting and Understanding the Internal Control Structure

The internal control structure consists of the control environment, risk assessment, control activities, information and communication, and monitoring, and how they relate to the City's ability to record, process, summarize and report financial data consistent with the assertions embodied in the financial statements.

As part of our audit process, we will develop an understanding of and determine how internal control structure policies, procedures, and records are designed, and whether they have been placed in operation by the City. Our understanding of the internal control structure will enable us to plan the audit, identify types of potential misstatements, identify factors that affect the risk of material misstatements, and design effective substantive tests.

Procedures we will use to develop and document our understanding of the internal control structure will include:

- Organizational charts
- Inquiries of appropriate management, supervisory, and staff personnel
- Inspection of the City's manuals, documents and records, including the budget
- Observations of the City's activities and operations
- Analysis of financial and management information systems

The extent of inquiry, inspection, and observation procedures will vary depending upon the size and complexity of the City's internal control structure, the nature of the particular policies or procedures involved, and the nature of the City's documentation of specific policies and procedures.

Compliance with Laws and Regulations

In order to determine which laws and regulations will be subject to audit test work each year, we will review the City's operations and revenue sources. Based on this review, we will identify the programs and activities subject to audit. The following reference materials will be reviewed annually for their applicability:

- Public Funds Investment Act
- AICPA Audit Guide, Audits of State and Local Governmental Units
- The Single Audit Act of 1996
- The Uniform Guidance
- Government Auditing Standards (Yellow Book), as amended
- OMB Compliance Supplement
- Federal Cognizant Agency Audit Organization Guidelines
- Catalog of Federal Domestic Assistance
- State of Texas Single Audit Circular
- Texas Government Code

License to Practice in the State of Texas

ABIP, PC and all key professional employees who will be assigned to perform the audit should we be awarded the contract, are properly licensed to practice in the State of Texas.

Independence

ABIP, PC is independent of the City of Johnson City, Texas, as defined by the AICPA generally accepted auditing standards, and the U.S. General Accounting Office's *Government Auditing Standards*. None of our team members have any direct or indirect financial interest, or any personal or financial relationship with officers or any employees of the City. In addition, we do not have in our employment any former City employees, associates or representatives.

ABIP has not had any professional relationship with the City of Johnson City during the past five years. ABIP will provide the City through written notice of any professional relationships entered into with the City during the period of this agreement.

Level of Assistance

We will ask the City's personnel to prepare schedules, statements, and worksheets to help minimize the cost of the audit. In addition to preparation of these schedules we will ask the City's staff to answer questions and perhaps to perform certain routine clerical tasks, such as locating invoices. Many of these items are schedules already being prepared by the City's staff in the normal course of doing business. We will provide a list of these items to the City during our planning procedures and will coordinate our request through the City's Finance Officer. In accomplishing this, we will consider limitations on available time of the City's personnel. This will include a list of the items that we need for interim fieldwork and a separate list for year-end fieldwork with due dates for the items as we progress through the audit.

Assurances

ABIP, PC will work with the City during the duration of the audit in order to assure an effective, efficient audit to ensure we meet your timeline in the request for proposal. We have found that frequent, open communication results in a better understanding of our client's financial affairs. Accordingly, we like to hold periodic progress meetings with the appropriate members of management. At a minimum we will have an entrance and exit conference with the Director of Finance and key finance department personnel, and weekly progress meetings starting at the beginning of the audit and concluding at the end of the audit with management.

Prepared By Client List

The following are documents we will need from the City.

Items for Year-end Visit
General Audit
Final Trial Balance in excel
Provide a list of items policies which were amended during the current fiscal year.
State, Federal, or other third party reviews or communications resulting in corrective actions.
List of manual journal entries for the month of September 2020
Listing of assets and liabilities accounts whose balance at September 30, 2020 equal the September 30, 2019 balances. Provide an explanation for why the balance has not changed during the year.
All attorney invoices expensed during the fiscal year ended September 30, 2020.
Original budget for the FYE 2020 – in excel if possible
Final budget for the FYE 2020 – in excel if possible
Provide budget amendments approved by council.
Provide a list of all contracts such as lease agreements, construction contracts, or other purchase contracts. Include a summary of the contract, length of terms, overall contract value, and amount expensed during the fiscal year.
Procurement
Provide expenditure reports for the fiscal year by vendor in excel

Cash
Reconciliations for all cash accounts at September 30, 2020. Provide supporting documentation for reconciling items.
Bank statements for the fiscal year ended September 30, 2020.
Bank statements for October 2020 through fieldwork date
City's support for monitoring collateralization of depository balance throughout the year.
City's collateralization of depository balances at September 30, 2020.
Listing of restricted cash accounts, if any.
Investments
Investment statements for the fiscal year ended September 30, 2020.
Quarterly board reports prepared by the investment officer.
Investment officer training certificates
Approved Investment Policy
Investor acknowledgements of reviewing and adhering to the City's investment policy.
Receivables
Provide list of cash receipts for the fiscal year ended September 30, 2020.
Provide a copy of the ordinance establishing the tax rate for the 2019 tax year (2020 fiscal year).
Property tax receivable rollforward by tax year and reconciliation of current year activity to the general ledger.
Have available for our review the monthly Bexar county tax reports by tax year.
Calculation of allowance for doubtful accounts and deferred property tax revenue.
Provide support and/or calculations to support receivable balances on the trial balance at September 30, 2020. For customer receivables, provide detail by customer to support balances carried at September 30, 2020.
Provide detail listing of cash receipts from October 1, 2020 to present.
Provide agreements for tax abatements and calculations for tax revenues waived under the agreement during the fiscal year.
Prepaid Assets
Provide support for prepaid asset and deposit accounts.
Capital Assets
Provide capital asset rollforward for governmental activities and each proprietary fund.
Provide detail of capital asset additions for governmental activities during the fiscal year. Include the expense account where each asset was coded.
Provide detail of capital asset additions for each proprietary fund.
Provide a list of asset disposals for governmental activities and proprietary funds. Include on the list the cash proceeds for each disposal, if any.
Provide reconciliation of sale of capital assets accounts on the trial balance with list of disposals.
Provide a detail capital asset listing as of September 30, 2020 that agrees to the rollforward schedule for governmental activities and each proprietary fund. Include the cost basis, date asset was put in service, useful life of the asset, beginning accumulated depreciation, depreciation expense for the fiscal year, and ending accumulated depreciation.
Provide any concession arrangement agreements.
Provide detail of any insurance recoveries during the fiscal year
Provide a listing of any capital assets no longer in-service for their intended purpose or physically impaired.
Accounts Payable and Other Liabilities
Provide first check number of the fiscal year and last check number during the fiscal year. Provide for all accounts if the sequence differs for bank accounts.
Provide list of non-check disbursements such as wires and ACHs etc. during the fiscal year. If there is a sequence to the transactions similar to check numbers then then first and last numbers will be sufficient.
Provide a list of check disbursements or other cash disbursements such as ACH and wires from October 1, 2020 to the present.

Have available for our review any unpaid invoices as of the date of the last disbursement run.
Provide retainage payable calculations as of September 30, 2020.
Provide a listing of all construction projects that have not been closed out as of September 30, 2020.
Provide detail accounts payable list by vendor and fund as of September 30, 2020.
Provide a listing of all open purchase orders as of September 30, 2020.
Provide a detail listing of encumbrances outstanding at September 30, 2020.
Payroll Liabilities
List of all employees paid during the fiscal year ended September 30, 2020.
Have available for our review all payroll registers during fiscal year 2020.
Provide reconciliation and/or support for payroll liabilities as of September 30, 2020.
Provide accrued leave payable schedules by employee as of September 30, 2020.
Have available payroll registers for October 2019 through July 2020.
Provide a list of all new employees hired during the fiscal year.
Provide a list of all employee terminations during the fiscal year.
Most recent TMRS Census data from TMRS employee portal.
Detailed by employee - reporting to TMRS during the fiscal year. (employee data that agrees to TMRS contributions)
TMRS Contribution report for the fiscal year.
Long-term Liabilities
Provide closing memorandums or other debt agreements for any debt issued during the fiscal year.
Rollforward of long-term liabilities for governmental activities and each proprietary fund.
Continuing disclosure report from financial advisor.
Identification of privately placed bonded debt.
Deferred Revenue
Provide support for deferred revenue accounts
Interfund Activity
Reconciliation indicating a net zero summation of transfer in and transfer out accounts.
Reconciliation indicating a net zero summation of due to and due from accounts.

Anticipated Potential Audit Problems

We are current and up-to-date on authoritative pronouncements and at this time do not anticipate any audit problems. Any problems encountered will be discussed immediately with the management of the City to allow time to resolve the issues.

Proposer Warranties

- A. Proposer warrants that it is willing and able to comply with State of Texas laws.
- B. Proposer warrants that it is willing and able to obtain errors and omissions insurance coverage providing a prudent amount of coverage for the willful or negligent acts or omissions of any officers, employees, or agents thereof.
- C. Proposer warrants it will not delegate or subcontract its responsibilities under an agreement without the prior written permission of the City of Johnson City.
- D. Proposer warrants that all information provided by it in connection with this proposal is true and accurate.

Signature of Official: 

Name (typed): Michael Del Toro

Title: Partner

Firm: ABIP, PC

Date: May 27, 2021

SAMPLE REPORT

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Johnson City, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Johnson City, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Johnson City, Texas, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, schedule of changes in other postemployment benefits (OPEB) liability and related ratios, and related schedules of contributions for net pensions and OPEB liabilities be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

San Antonio, Texas
Date

RESUME

MICHAEL DEL TORO, CPA

Partner

EDUCATIONAL BACKGROUND

Certified Public Accountant - Texas
BBA in Accounting – University of the Incarnate Word, 1997

CAREER EXPERIENCE

ABIP, PC

Partner – January 2013 to Present

Thompson, Williams, Biediger, Kastor & Young, L.C.

Partner – January 2009 to December 2012

Audit Manager – January 2007 to December 2008

Audit Supervisor – February 2005 to December 2006

Burnside & Rishbarger, PLLC

Audit Supervisor – March 2004 to January 2005

Harte-Hanks, Inc.

Internal Audit – June 2001 to February 2004

Padgett, Stratemann & Co., LLP

Audit In-Charge – January 1999 to May 2001

Garza Gonzales & Associates

Staff Auditor – September 1997 to December 1998

ENGAGEMENT EXPERIENCE

Michael has over twenty (20) years of experience in auditing and accounting for government entities. He has been associated with the financial and compliance audits for Hays County, Texas, Comal County, Texas, Karnes County, Texas, Guadalupe-Blanco River Authority, City of Alamo Heights, Texas, City of Live Oak, Texas, City of Shavano Park, Texas, City of Somerset, Texas, City of Universal City, Texas, City of Cibolo, Texas, City of Hill Country Village, Texas, Workforce Solutions – Alamo, Workforce Solutions – Capital Area, Southwest Independent School District, Jourdanon Independent School District, Education Service Center, Region 20, North East Independent School District, City of San Marcos, Texas, Bexar County, Texas, VIA Metropolitan Transit, San Antonio River Authority, City of Schertz, Texas, City of Devine, Texas, and various other government entities. Michael is a member of the Special Review Committee for the GFOA's Certificate of Achievement for Excellence in Financial Reporting.

PROFESSIONAL ASSOCIATIONS

American Institute of Certified Public Accountants

Texas Society of Certified Public Accountants

San Antonio CPA Society, a Chapter of Texas Society of Certified Public Accountants

Alamo Area Association of School Business Officials

Government Finance Officers Association of Texas

Government Finance Officers Association

RESUME

JANET A. PITMAN, CPA

Partner

EDUCATIONAL BACKGROUND

Certified Public Accountant - Texas
BBA in Accounting – University of Texas at San Antonio, 1991

CAREER EXPERIENCE

ABIP, PC

Partner – January 2013 to Present

Thompson, Williams, Biediger, Kastor & Young, L.C.

Partner – January 2009 to December 2012

Manager – October 2003 to December 2008

Bexar County Auditor's Office

Accounting Manager – May 2001 to September 2003

Padgett, Stratemann & Co., L.L.P.

Manager – June 1996 to April 2001

Audit Team Member – September 1991 to May 1996

ENGAGEMENT EXPERIENCE

Janet has over twenty-five (25) years of experience in auditing and accounting of government entities. She is currently associated with the financial and compliance audits of Hays County, Texas, Comal County, Texas, City of San Marcos, Texas, Karnes County, Texas, City of Alamo Heights, Texas, City of Live Oak, Texas, City of Cibolo, Texas, City of Shavano Park, Texas, City of Universal City, Texas, City of Hill Country Village, Texas, City of Somerset, Texas, Workforce Solutions – Alamo, Workforce Solutions – Coastal Bend, Guadalupe-Blanco River Authority, and various other government entities. She has been in charge of the financial and compliance audits for City of Schertz, Texas, City of Devine, Texas, City of City of Boerne, Texas, City of Bandera, Texas, Town of Hollywood Park, Texas, Southside Independent School District, North East Independent School District, Randolph Field Independent School District, Fort Sam Houston Independent School District, Lackland Independent School District, LaVernia Independent School District, Bandera Independent School District, Schertz-Cibolo-Universal City Independent School District, Laredo Independent School District, and various other government entities. While at Bexar County, she was the project manager for the implementation of GASB 34. In addition, Janet is a member of the Special Review Committee for the GFOA's Certificate of Achievement for Excellence in Financial Reporting.

PROFESSIONAL ASSOCIATIONS

American Institute of Certified Public Accountants
Texas Society of Certified Public Accountants
San Antonio CPA Society, a Chapter of the Texas Society of Certified Public Accountants
Alamo Area Association of School Business Officials
Government Finance Officers Association of Texas
Government Finance Officers Association

RESUME

JEREMY BARBATTO, CPA

Audit Senior Manager

EDUCATIONAL BACKGROUND

Certified Public Accountant - Texas
Masters in Accountancy – Texas State University, 2010

CAREER EXPERIENCE

ABIP, PC
January 2013 to Present,

Thompson, Williams, Biediger, Kastor & Young, L.C.
August 2010 to December 2012

ENGAGEMENT EXPERIENCE

Jeremy has been assigned to the financial and compliance audits for Hays County, Texas, Comal County, Texas, Karnes County, Texas, Judson Independent School District, Education Service Center Region 20, Southwest Independent School District, Workforce Solutions – Alamo, Guadalupe-Blanco River Authority, City of Live Oak, Texas, City of Alamo Heights, Texas, City of Cibolo, Texas, City of Universal City, Texas, City of Hill Country Village, Texas, and various other government entities.

PROFESSIONAL ASSOCIATIONS

American Institute of Certified Public Accountants
Texas Society of Certified Public Accountants
San Antonio CPA Society, a Chapter of the Texas Society of Certified Public Accountants
Alamo Area Association of School Business Officials
Government Finance Officers Association of Texas

RESUME

SCOT WOODLAND

Audit Supervisor

EDUCATIONAL BACKGROUND

BBA in Accounting – Texas Tech University – Lubbock – 2008
Masters in Accountancy – University of Texas at San Antonio – San Antonio – December 2014

CAREER EXPERIENCE

ABIP, PC
Auditor – July 2013 to Present

ENGAGEMENT EXPERIENCE

Scot has been assigned to the financial and compliance audits for North East Independent School District, Judson Independent School District, South San Antonio Independent School District, Education Service Center Region 20, Waelder Independent School District, Marion Independent School District, Workforce Solutions – Alamo, Guadalupe-Blanco River Authority, City of Live Oak, Texas, City of Alamo Heights, Texas, City of Cibolo, Texas, City of Universal City, Texas, City of Hill Country Village, Texas, and various other government entities.

RESUME

KYLE LAYER

Audit Supervisor

EDUCATIONAL BACKGROUND

BS in Kinesiology – Angelo State University, 2008
Masters of Accountancy – University of Texas at San Antonio, 2016

CAREER EXPERIENCE

ABIP, PC
June 2016 to Present

ENGAGEMENT EXPERIENCE

Kyle has been assigned to the financial and compliance audits for Navarro Independent School District, Judson Independent School District, Comal Independent School District, Ingram Independent School District, Coastal Bend Workforce Development Board, City of Boerne, Texas, City of Alamo Heights, Texas, City of Cibolo, Texas, City of Fredericksburg, Texas, City of Fair Oaks Ranch, Texas, City of Hill Country Village, Texas, Kames County, Texas, and various other government entities.

GLASS & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, P.C.

Report on the Firm's System of Quality Control

July 24, 2018

To the Shareholders of ABIP, PC
and the Peer Review Committee of the TSCPA

We have reviewed the system of quality control for the accounting and auditing practice of ABIP, PC (the firm) in effect for the year ended December 31, 2017. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; audits of employee benefit plans and examinations of service organizations [SOC 1 and SOC 2 engagements].

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

GLASS & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

ABIP, PC
July 24, 2018
Page | 2

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of ABIP, PC in effect for the year ended December 31, 2017, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. ABIP, PC has received a peer review rating of *pass*.

Glass & Company
GLASS & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

**Response to Request For Qualifications for the Audit of the City of Johnson City's Basic Financial
Statements**

Lowrey, Powell, Stevens & Mangum, P.C.

931 Proton Road

San Antonio, Texas 78258

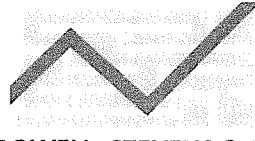
(210)490-2222

Response to Request For Qualifications for the Audit of the City of Johnson City’s Basic Financial Statements

For the Fiscal Year Ending September 30, 2020

Table of Contents

Transmittal Letter.....	2
Executive Summary.....	3
Quality Control Review.....	4
Detailed Response	
License to Practice in the State of Texas.....	5
Firm Qualifications and Experience.....	6
Partner, Supervisory and Staff Qualifications and Experience.....	6
Specific Audit Approach.....	8
Identification of Anticipated Potential Audit Problems.....	10
Report Format.....	10
Proposer Warranties.....	11
Detailed Listing of Documentation.....	12



LOWREY, POWELL, STEVENS & MANGUM, P.C.

A Professional Corporation of Certified Public Accountants

Transmittal Letter

Firm Name: Lowrey, Powell, Stevens & Mangum, P.C.

Address: 931 Proton Road

San Antonio, Texas 78258

Contact Person: Randall Stevens, Partner-In-Charge

Tony Emadi, Manager

Contact Telephone: (210) 490-2222

Contact Emails: RandallS@mysacpa.com

Tonye@mysacpa.com

Lowrey, Powell, Stevens & Mangum, P.C. (LPSM) is formally submitting a response to the request for qualifications to perform the audit of the City of Johnson City's (City) basic financial statements and express an opinion on the fair presentation of those basic financial statements in conformity with accounting principles generally accepted in the United States of America. This is to include appropriate procedures applied to the required supplementary information required by the Governmental Accounting Standards Board as mandated by auditing standards generally accepted in the United States of America.

LPSM, if selected, is committed to working with the City and performing the work as quickly as will be possible. Every effort by LPSM will be made to ensure the City becomes in compliance with applicable requirements to enable to City to complete the 2020 audit and then complete the 2021 audit within six months of year end and so the financials may be appropriately filed with EMMA to meet bond compliance. Our end goal is to have things done well in advance and internal goals for LPSM staff will always be set well in advance of the agreed upon target dates.

LPSM believes, as you will find in more detail further in the response, that our committed staff and outstanding customer service will enable us to provide the best possible services for the City of Johnson City, and, the knowledge of the staff will enable us to provide for an efficient effective audit.

Randall Stevens, Partner-In-Charge

Charles S. Lowrey, Concurring Partner

Response to Request For Qualifications for the Audit of the City of Johnson City's Basic Financial Statements

For the Fiscal Year Ending September 30, 2020

Executive Summary

Lowrey, Powell, Stevens & Mangum, P.C. is providing a response to the request for qualifications to perform the auditing services for the City of Johnson City's basic financial statements. To be included with these services, LPSM will provide on-going technical support throughout the year, audit the required supplementary information, provide an in-relation to statement over the remaining supplementary information, and review any statistical section to ensure accuracy with the accompanying audited financial statements.

LPSM is a growing CPA firm based in San Antonio, Texas that prides itself on providing the best possible service to our client. The overall audit approach is a risk based approach in which we will work with you to gain an understanding and help to improve the overall processes and internal controls. Our goal is to provide our clients with beneficial accounting guidance that together we can work towards a common accounting goal. As such, our convenient location to the City of Johnson City and our access to research and accounting support tools will allow us to keep true to being able to provide the ongoing constant support to the City. Additionally, while our government client base is currently small, the staff assigned will be very knowledgeable in the auditing requirements and accounting needs, and our dedication during governmental busy season time will be to the City of Johnson City.

Another great attribute of LPSM is a tenured experienced staff that is capable of performing and meeting deadlines and will be the same staff that is with the client for the years under the contract. All of the individuals working on the audit engagement have experience with audits, including governmental audits, and therefore, improved efficiency is gained versus other CPA firms whom hire many new individuals who have no previous experience and deal with constant turnover. Additionally, the Manager on the project was previously the CFO over a small City of 30,000 and truly enjoys working with government clients. He will be fully involved, on site each day and readily available for any questions or concerns that may arise.

Lastly, as a local CPA firm, we try to provide a fair and reasonable price for our services. We do not try and carry excess overhead and other type of costs that get passed on to the clients compared to other national type firms, and, therefore, we believe you should find our prices to be appropriate.



ADKF

with you
all the way

Member of the AICPA & TXCPA.
Registered with Public Company
Accounting Oversight Board.

Report on the Firm's System of Quality Control

February 9, 2021

To the Owners

Lowrey, Powell, Stevens & Mangum, P.C.

and the Peer Review Committee of the Texas Society of CPA's

We have reviewed the system of quality control for the accounting and auditing practice of **Lowrey, Powell, Stevens & Mangum, P.C.** (the firm) in effect for the year ended October 31, 2020. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

As part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

MAIN OFFICE:

8610 N. New Braunfels, STE 101
San Antonio, TX 78217

Phone: 210.829.1300
Fax: 210.829.4080

672 Ridge Hill Dr., STE B
New Braunfels, TX 78130

Phone: 830.387.4441

616 E. Blanco, STE 300e
Boerne, TX 78006

Phone: 830.815.1100



WWW.ADKF.CPA

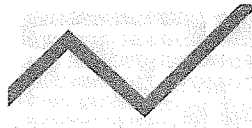
Opinion

In our opinion, the system of quality control for the accounting and auditing practice of **Lowrey, Powell, Stevens & Mangum, P.C.** in effect for the year ended October 31, 2020 has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. **Lowrey, Powell, Stevens & Mangum, P.C.** has received a peer review rating of *pass*.

ADKF, P.C.

ADKF, P.C.

Detailed Response



LOWREY, POWELL, STEVENS & MANGUM, P.C.

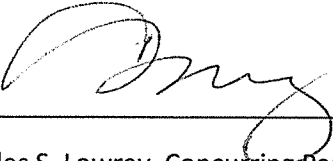
A Professional Corporation of Certified Public Accountants

Affirmation of License to Practice in the State of Texas

We, Lowrey, Powell, Stevens & Mangum, P.C., affirm that the firm and all assigned key professional staff are properly licensed to practice in the State of Texas.



Randall Stevens, Partner-In-Charge



Charles S. Lowrey, Concurring Partner

Response to Request For Qualifications for the Audit of the City of Johnson City's Basic Financial Statements

For the Fiscal Year Ending September 30, 2020

Firm Qualifications and Experience

Lowrey, Powell, Stevens & Mangum, P.C. is a San Antonio based CPA firm that was established in 1980. The firm has continued to grow and has an additional office in Lubbock, Texas. Over the course of the years, the firm has done several different audits including a privately owned company doing business with the federal bureau of prisons, HUD Audits, nonprofits, insurance companies, milk cooperatives, construction companies, and various other businesses. The total size of the firm is over 30 professional staff.

Partner, Supervisory and Staff Qualifications and Experience

Partner-In-Charge

Randall N. Stevens, shareholder of Lowrey, Powell, Stevens & Mangum P.C. has been practicing public accounting since 1988. His expertise is in the audit and management information and consulting fields where he has worked with closely held small to medium sized businesses, SEC clients, transportation, the federal bureau of prisons, insurance and professional corporations. He is also a certified QuickBooks Pro Advisor and offers training and consulting in this area as well. His CPA certificate is from the state of Texas. He is a member of San Antonio Chapter of CPAs, the Texas Society of CPAs and the American Institute of CPAs. He received his degree from West Texas A & M in Canyon, Texas. Randall has served on the Board of Directors and chaired various youth charities and projects.

Concurring Partner – Chuck Lowrey, CPA

Charles S. Lowrey obtained his BBA from St. Mary's University in San Antonio, Texas in 1971 and completed his training to be a CPA in 1978. Charles is now the managing shareholder/director with Lowrey, Powell, Stevens & Mangum P.C. Over the years, he has developed an expertise in providing business and tax consulting to closely held small to medium sized businesses, and professional corporations, with industry specialization in transportation and distribution, insurance, petroleum and real estate. His CPA certificate is from the State of Texas and he maintains membership in the San Antonio Society and the Texas Society of CPAs. He is also a member of the American Institute of Certified Public Accountants

Manager – Tony Emadi, CPA

Tony Emadi obtained his Masters of Accountancy from the University of Texas in San Antonio, Texas in May 2013 and has been a CPA since 2014. He was previously with the largest regional CPA firm in the Southwest and then the CFO for the City of Hutto before joining with Lowrey, Powell, Stevens & Mangum, P.C. in December of 2018. While at the previous CPA firm, he developed an expertise for single-audits and auditing governments having audited Williamson County, City of Georgetown, Alamo Area Council of Governments, Edwards Aquifer Authority, Texas Board of Law Examiners, and Maverick County Hospital District, Town of Greenwich Connecticut, and Port of Galveston. Additionally, he helped oversee the State of Texas Single Audit for a year. His CPA certificate is from the State of Texas and he

Response to Request For Qualifications for the Audit of the City of Johnson City's Basic Financial Statements

For the Fiscal Year Ending September 30, 2020

maintains membership in the San Antonio Society and the Texas Society of CPAs. He is also a member of the American Institute of Certified Public Accountants.

Senior Staff – Jeanette Long-Sanchez, CPA

Jeanette Long-Sanchez obtained her BBA from the University of Texas in San Antonio, Texas in 2004. She has been a CPA since 2013. She also obtained her Certified Forensic Accountant (CrFA) and Registered Forensic Investigator (RFI) designations from the American Board of Forensic Accounting in 2017. She has experience in audits of not-for-profits, various archdioceses, construction companies, and 401k plans. Her CPA certificate is from the State of Texas and she maintains membership in the San Antonio Society and the Texas Society of CPAs.

As needed, additional staff will be pulled to work on the engagement. Any other staff assigned will hold their CPA license and be current on any training deemed necessary and appropriate.

All efforts are made to ensure that the staff will remain consistent over the duration of the contract. Lowrey, Powell, Stevens & Mangum, P.C. has a low turnover with most employees having tenure of several years. The Manager will be on site each day to lead the engagement and be readily available, along with the Partner, to answer technical questions and provide assistance as needed. Governmental accounting updates and other relevant training classes will be always taken before the start of the preliminary fieldwork.

Similar Engagements

LPSM just completed in 2020 an Audit over the Franchise Fees for the City of Corpus Christi, Texas – total fees were in excess of \$20,000.

Response to Request For Qualifications for the Audit of the City of Johnson City's Basic Financial Statements

For the Fiscal Year Ending September 30, 2020

Specific Audit Approach

LPSM utilizes a risk based audit approach. The risk based approach is based on gaining an overall understanding of the entity under audit, including gaining an understanding of the internal controls and processes in place, in order to appropriately assess the associated risk with each financial statement and compliance area so that appropriate audit procedures and test may be designed to address the identified risk. Procedures and tests include, but are not limited to, inquiries, detail testing through review of supporting documentation, analytical procedures, statistical sampling, and sending confirmations electronically and through the mail. The approach is effectively segregated into the phases below:

- Phase 1: Internal controls and planning – Pre-Field Work (The first week after 4th of July, request list sent two weeks before) (40 Hours)
 - o Gaining an understanding of the entity
 - Entrance meeting
 - Perform fraud inquiries
 - Read minutes and obtaining an understanding of the overall changes in the entity
 - Perform tests over compliance with investment requirements in accordance with Texas Government Code Chapter 2256 Public Funds Investment Act.
 - Review of City Charter for any other compliance requirements such as fund balance reserves
 - Inquire of and receive new contracts or significant changes in contracts and review for any significant compliance requirements
 - o Internal Controls
 - Obtain an understanding of internal control processes in place over significant areas including investments, cash, utility billings and other areas as applicable.
 - Obtain a detailed description of the processes in place from the client.
 - Perform physical walkthroughs of the processes in place and make inquires of pertinent personnel to ensure processes are adequate
 - Perform test of controls over cash disbursements, including payroll, if a single audit would be required.
- Phase 2: After planning (36 Hours)
 - o Cash, debt, and investment confirmations sent
 - o Receipt of any electronic items such as bank reconciliations, etc. such that these can be set up before fieldwork
 - o Receipt of detailed listing such as AR, PPE, and cash disbursement as they become available so that samples may be made and selections sent to the client for pulling
 - o Preliminary Trial Balance uploaded to ensure all accounts are mapped before fieldwork begins
- Phase 3: Fieldwork (End of July – Beginning of August) (160 Hours)
 - o Perform fieldwork procedures
 - Test of details

Response to Request For Qualifications for the Audit of the City of Johnson City's Basic Financial Statements

For the Fiscal Year Ending September 30, 2020

- Analytical Test performed
- Any remaining fraud inquiries
- Test of Pension Obligation
- Phase 4: After fieldwork (Last week of August) (40 Hours)
 - Wrap up of any items
 - Preparation of financial statements, including conversion of fund financial statements to the government-wide financial statements and preparation of all supplemental combining schedules.
 - Financials sent to client for review and upon final acceptance, presentation to the City Council

First Year Audit Requirements

First year audits always require a little extra effort to enable the auditor to get comfortable with beginning balances. Some first year audit requirements would be to send confirmations for cash and investment balances at year end September 30, 2019 as well as possibly performing a search for unrecorded liability test for the first few months of fiscal year 2020 and a review of any significant capital assets that occurred close to, but after, the year ended September 30, 2019. However, these initial procedures are limited due to the prior year being audited.

Sampling

Among the many techniques used during the audit, sampling will be used to aid in adding unpredictability and to give comfort over balances included in revenue, cash disbursement testing (this is the search for unrecorded liability testing), expenses, and AR. If balances included in PPE are also numerous, then sampling may also be used to sample the additions or disposals. Sampling for any particular balances will depend on the balances and what constitutes the balance, i.e. many small balances or one large balance. However, analytics will be relied upon heavily to help reduce the total amount of sampling that would be necessary. Sampling will be determined using either a random number generator or the sample will be chosen haphazardly.

Analytical Tests

Analytical tests will also be utilized as part of the overall audit procedures. These analytical tests will include, but are not limited to, such as repairs and maintenance and depreciation analytics, scanning analytics, i.e. scanning such items as the AP detail for aged balances, year over year change comparisons for such items as expenses and especially revenues, and ratio testing such as testing days sales outstanding in AR. Analytics, when utilized appropriately, can be an extremely valuable tool in helping to identify any unusual trends and patterns that could potentially require further investigation. An important part of the planning phase will utilize analytics through evaluating the prior fiscal year ending balances compared to the current years to identify any areas of potential risk.

Response to Request For Qualifications for the Audit of the City of Johnson City's Basic Financial Statements

For the Fiscal Year Ending September 30, 2020

Identification of Anticipated Potential Audit Problems

Our entire audit staff will be dedicated to serving your needs and should the need arise, the firm has plenty of manpower to help out as needed. Also, given our close proximity to the City (only a one-hour drive), we are readily available at any given moment to come to the City's offices and help on any technical question or audit related activities. Finally, we maintain an up to date library of all relevant accounting updates for governmental accounting and have access to other such resources to ensure the appropriate completion of the audit of the City's basic financial statements.

That being said, the audit work will be also dependent on the ability of the City to provide appropriate support and documentation regarding the balances being audited. We noticed that there was a Disclaimer of Opinion issued in the preceding fiscal year. If this is an issue that would continue into fiscal year 2020, this could lead to potential delays. However, we would also be glad to assist you in developing methods to help overcome this issue in the future.

Report Format

The audit report will be formatted to ensure compliance with over GASB requirements and will include the auditor's report, MD&A, basic financial statements and note disclosures, and supplementary information. Additionally, if you wish to pursue, we would assist in adding your financial reports into a CAFR which would then also need to include an introductory and statistical sections as well. However, this can be discussed at a later date.

Response to Request For Qualifications for the Audit of the City of Johnson City's Basic Financial Statements

For the Fiscal Year Ending September 30, 2020

Proposer Warranties

- A. Lowrey, Powell, Stevens & Mangum, P.C. warrants that it is willing and able to Comply with State of Texas laws.
- B. Lowrey, Powell, Stevens & Mangum, P.C. warrants that it is willing and able to obtain errors and omissions insurance coverage providing a prudent amount of coverage for the willful or negligent acts or omissions of any officers, employees, or agents thereof.
- C. Lowrey, Powell, Stevens & Mangum, P.C warrants it will not delegate or subcontract its responsibilities under an agreement without the prior written permission of the City of Johnson City.
- D. Lowrey, Powell, Stevens & Mangum, P.C. warrants that all information provided by it in connection with this request for qualifications is true and accurate.

Signature of Official: *Randall M Stevens*

Name (typed): Randall Stevens

Title: Partner-In-Charge

Firm: Lowrey, Powell, Stevens & Mangum, P.C

Date: May 26, 2021

Response to Request For Qualifications for the Audit of the City of Johnson City's Basic Financial Statements

For the Fiscal Year Ending September 30, 2020

Detailed Listing of Documentation

The below list is a detail listing of documentation that would be requested. It is inclusive of all normal planning and initial fieldwork items that would be requested. Additional items for selections and inquires will also be requested as those items arise in the course of the engagement (i.e. selections for performing internal control walkthroughs, AR selections, SURL selections, etc.). It would be good to receive these initial items up to a week before the start of the engagement for September 30, 2020. We are available to begin this audit rather quickly if awarded to us. We have stated a start date of the first week after the 4th of July, and, as such, if that timing is acceptable for your, then we would look to have the information the last week of June – first week of July.

Planning Type Items

- Description of the account coding, i.e. XXXX-XX-XXX is account-fund-department.
- Proof of training requirement being met for Investment Officers. We noticed this was an issued for 2019, but we do see that investment officers and a policy was implemented on 12/22/2020. Therefore, it seems like this might go away for 2020, but proof of the training is required.
- Process Narratives for the following areas:
 - Financial Close – is there a process for performing account reconciliations at year end, etc.
 - Cash receipts
 - Cash Disbursements
 - Capital Asset
 - Journal Entry Process for Manual Journal Entries
 - How Charges for Water and Sewer Services are processed
- IT Control Summary
 - Listing of IT Applications and whether or not any changes to their code can be made in house. If changes can be made in house, how are these processed and approved
 - Narrative describing IT Controls – user access requirement, password requirements, are passwords required to be rotated, is there offsite back up – how often is this done, is user rights restricted in an IT application based on the user set up and how makes the changes to those rights.
- Procurement Policy
- Trial Balance as of 12/31/2020 and the general ledger detail for the fiscal year 2020
- Cash disbursement listing for the fiscal year 2020
- Copies of any Bond Agreements, Significant Contracts (such as leases, for water supply, etc.)
- Explanations of significant variances over budget (we do not look at those amounts that come in under budget)

Fieldwork

- All bank account reconciliations for 9/30/2019 and 9/30/2020. Also, all bank statements for September and October 2020 and September 2019.
- Investment Statements for September 2020 and October 2020 if received monthly.
- AR and AP detail(s) for September 30, 2020

Response to Request For Qualifications for the Audit of the City of Johnson City's Basic Financial Statements

For the Fiscal Year Ending September 30, 2020

- Capital Asset Additions and Disposal Listing – to include all assets acquired and disposed of during the fiscal year 2020, including the acquisition price for additions and for any disposals, the amount of proceeds received upon disposal, if any
- Payroll schedule showing payroll ending dates and then pay dates
- Payroll report from the pay period ending right before year end and for the pay period ending right after year end
- # of employees at year end September 30, 2019 and 2020
- Listing of meter deposit balances
- Pension and OPEB calculations
- Revenue totals for the Water and Sewer Fund by Month for 2019 and 2020 fiscal years
- We will confirm with the taxing district the property tax rolls, however, if we could see the bank statements for November 2019 through February 2020 to verify cash receipt. Additionally, if you have a property tax reconciliation that you complete, if we could also have access to that.



CITY OF JOHNSON CITY

Request for Qualifications for Annual Audit Services

May 27, 2021

Deborah F. Fraser, CPA, CGMA
debbie@avacpa.com

Armstrong, Vaughan & Associates, P.C.

Certified Public Accountants



941 W Byrd Suite 101, Universal City, TX 78148
210-658-6229

**REQUEST FOR QUALIFICATIOIS FOR ANNUAL AUDIT SERVICES
CITY OF JOHNSON CITY**

TRANSMITTAL LETTER 1

OUR UNDERSTANDING OF YOUR NEEDS 3

INDEPENDENCE 3

LICENSE TO PRACTICE 3

FIRM PROFILE..... 3

PROPOSED AUDIT TEAM 4

POTENTIAL AUDIT CHALLENGES..... 4

REPORT FORMAT 4

QUALITY CONTROL..... 4

QUALITY REVIEW REPORT 5

REFERENCES..... 7

SPECIFIC AUDIT APPROACH 8

PROPOSER WARRANTIES 10



May 27, 2021

Rick Schroder
Chief Administrative Officer
City of Johnson City
303 E. Pecan Dr
Johnson City, TX 78636

We are pleased to submit a request for qualifications to provide municipal government audit services to the City of Johnson City.

We are a San Antonio based firm that has identified the government client as a niche to whom we can provide superior services. Toward that end, we have invested a major portion of our resources in providing services to that market through staff training and retaining experienced and qualified personnel. Our success has been a direct result of our focus on quality service.

We are aware that many reputable firms offer governmental audit services and, therefore, we strive to provide the highest quality service. We do this by giving attention to each client's individual needs; having our most qualified people (the partner-in-charge) directly involved in fieldwork; and being sensitive to the disruption of your workplace. The most convincing evidence of the quality of our services is the recommendations from our clients. We urge you to contact any of the representatives listed (see attached client list).

The audit team for the City of Johnson City will be led by our Audit Partner, Deborah F. Fraser, CPA, CGMA (biographical data attached). She will be assisted by one senior and one staff member. Phil S. Vaughan, CPA, CGMA will provide second-partner and quality control reviews.

Deborah Fraser, CPA, CGMA serves as Director of Nonprofit Services for the Firm, and has twenty-seven years' experience providing audit and accounting services to nonprofit and local government entities, three (3) years as CFO of SER, Jobs for Progress, a subrecipient of Alamo WorkSource, which enabled her to gain knowledge and experience of State, Federal and the Local Workforce Development System and two (2) years as a consultant for a Governmental/Nonprofit accounting software firm.

Phil Vaughan, CPA, CGMA serves as Audit Partner and has sixteen years' experience providing audit services to government clients. Phil earned a degree with highest honors from Colorado School of Mines in 2005 and a Master of Science in Accounting from UTSA in December 2008. Phil was also honored as one of the top ten CPA candidates in the State of Texas in May 2009. Phil leads the firm's membership in the Government Audit Quality Center and is a member of the Government Finance Officers Association Special Review Committee.

Armstrong, Vaughan & Associates, P.C. has been a member of the AICPA Quality Review Program since January 1989. As accountants committed to offering the highest degree of quality service possible, we have taken steps to ensure we are in compliance with AICPA Quality Standards. We perform an annual inspection in-house to ensure compliance, as well as an independent peer review at least every three (3) years. Our most recent review in October 2020 resulted in a peer review rating of "pass" (see copy of report attached).



The enclosed request for qualifications is a firm and irrevocable offer to provide financial audits for the City of Johnson City. This request for qualifications will remain a firm offer for 60 days from the date of this request for qualifications. Deborah F. Fraser is authorized to enter into engagement agreements on behalf of the firm.

Again, we appreciate the opportunity to offer services to the City of Johnson City, and urge you to call us if you should need additional information. You may also visit our website at www.avacpa.com.

Sincerely,

Deborah F. Fraser, CPA, CGMA

Deborah F. Fraser, CPA, CGMA
Shareholder



Governmental Audit
Quality Center



OUR UNDERSTANDING OF YOUR NEEDS

We will provide the following services:

- Annual audit services pursuant to the U.S. Generally Accepted Auditing Standards
- Single Audit, if necessary

Our plan to meet these needs would be to send the initial request list by June 10 and schedule an initial site visit in June to perform testing and obtain any documentation requested with the initial request. A second visit would be scheduled for July to pull any additional documentation and wrap up loose ends. Our scheduling can be tailored to meet your needs. We would plan for a draft report to be issued by the end of July. Future years would involve sending a request list in September, site visits in November or December and a draft report in January.

INDEPENDENCE

Armstrong, Vaughan & Associates, P.C., as well as all professional and support staff, are independent of the City of Johnson City. No one in our firm has a relationship with the City, a member of the City, or an employee of the City that would impair his/her independence as defined by generally accepted auditing standards and Government Auditing Standards.

LICENSE TO PRACTICE

Armstrong, Vaughan & Associates., P.C., is licensed to practice in the State of Texas under license number C03094-001. Additionally, all employees of the firm who are certified public accountants are licensed to practice within the State of Texas. The firm is not under any public or private reprimand by the Texas State Board of Public Accountancy, or any other licensing board.

FIRM PROFILE

AVA operates one office in the San Antonio area (Universal City). We are a niche-oriented firm committed to offering a superior level of service, primarily to governments and nonprofits. We accomplish this by having our most experienced personnel (the audit partner) planning, directing, and conducting substantial portions of the field work. The audit partner is assisted on selected tests and procedures by the audit senior or staff, depending on the complexity and degree of reliance intended to be placed on a specific area of the audit. The firm is comprised of 28 employees, of which our government audit staff contains four partners, one senior manager, two managers, six seniors and four staff.

The personnel assigned to government engagements are required by firm policy to meet or exceed government auditing standards regarding continuing education. Therefore, each licensed, professional staff is required to have a minimum of eighty (80) hours of continuing professional education in accounting and auditing every two years, with twenty-four (24) hours specific to governmental auditing and reporting.



PROPOSED AUDIT TEAM

The proposed audit team for the City of Johnson City will be made up of our audit partner, Deborah F. Fraser CPA CGMA. Depending on timing and availability, she will be assisted by one senior and one staff member. Deborah Fraser will be the primary contact and will be on-site to direct all staff. The City will be working directly with our most experienced personnel. On multi-year contracts, we strive to maintain continuity in our audit teams by minimizing rotation. This allows for efficiency gains in subsequent years. However, we can accommodate requests from the City should a rotation be desired. We have the ability to rotate the entire team, including the partner. See biographical information attached.

POTENTIAL AUDIT CHALLENGES

We noted a disclaimer of opinion was issued on the 2019 audit report. We would need to discuss this matter with your prior auditor and determine the scope of their testing. We may be required to testing 2019 ending balances in order to support an opinion on the 2019-2020 financial statements. If issues develop that cannot be resolved through testing and discussions with the responsible personnel, we would first discuss with City Administrator, then City Council.

REPORT FORMAT

Several of our clients publish their annual reports on their website and can be reviewed as examples. The following reports we assisted in preparing:

City of Garden Ridge	https://ci.garden-ridge.tx.us/358/AuditBudgetReport
City of Selma	https://tx-selma.civicplus.com/203/Financial-Transparency
City of Seguin	https://seguintexas.gov/departments/finance_department/index.php
City of Terrell Hills	https://www.terrell-hills.com/city-government/finance
City of Kirby	https://www.kirbytx.org/government/city-administration

QUALITY CONTROL

Armstrong, Vaughan & Associates, P.C. has been a member of the AICPA Quality Review Program since January 1989. As accountants committed to offering the highest degree of quality service possible, we have taken steps to ensure we are in compliance with AICPA Quality Standards. We perform an annual inspection in-house to ensure compliance, as well as an independent peer review at least every three (3) years. Our most recent review in October 2020 resulted in a rating of “pass” (see copy of report attached) and included a review of government engagements.



QUALITY REVIEW REPORT



WILF & HENDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Member of American Institute of Certified Public Accountants
Member of Private Company Practice Section
Member of AICPA Governmental Audit Quality Center

Report on the Firm's System of Quality Control

October 14, 2020

To the Shareholders of Armstrong, Vaughan & Associates, P.C.
and the Peer Review Committee of the Texas Society of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Armstrong, Vaughan & Associates, P.C. (the firm) in effect for the year ended March 31, 2020. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included an engagement performed under *Government Auditing Standards*, including a compliance audit under the Single Audit Act.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Armstrong, Vaughan & Associates, P.C. in effect for the year ended March 31, 2020, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Armstrong, Vaughan & Associates, P.C. has received a peer review rating of *pass*.

Wilf & Henderson, P.C.
Wilf & Henderson, P. C.

1810 Galleria Oaks • Texarkana, Texas 75503 • 903.793.5646 • Fax 903.792.7630 • www.wilhen.com



BIOGRAPHIES



Deborah F. Fraser, CPA, CGMA

Audit Partner

- Certified Public Accountant
- American Institute of Certified Public Accountants
- Texas Society of Certified Public Accountants
- San Antonio Chapter of the Texas Society of Certified Public Accountants
- Certificate of Educational Achievement for Governmental Auditing Awarded by the American Institute of CPAs
- Chartered Global Management Accountant
- Treasurer of San Antonio Non Profit Council, 2015-2019

EXPERIENCE

Includes twenty-seven years of providing auditing and accounting services for various entities. Experience includes non-profit entities, cities and school districts. In addition, she has experience as a CFO of a nonprofit organization with \$19 million in state and federal grant revenues. Deborah also has experience as a consultant and trainer for MIP, governmental/nonprofit accounting software program. Deborah has also taught an Accounting Principles II class for several years at a local community college.

EDUCATION

University of Wyoming, 1985, B.S.

COMMUNITY SERVICE

Board member, (Finance Committee Chairperson) Healy-Murphy 2003-2004 (*A nonprofit school for disadvantaged youth*)
Secretary, Parks and Recreation Commission, City of Universal City, 1999-2004
Treasurer, Tri County Baseball, 1997-1998
United Way Stewardship Review Committee – 2011-2014
UTSA Public Affairs – 2010 – 2011



Phil Vaughan, CPA, CGMA

Audit Partner

- Certified Public Accountant
- American Institute of Certified Public Accountants
- Texas Society of Certified Public Accountants
- San Antonio Chapter of the Texas Society of Certified Public Accountants
- Awarded one of the Top Ten CPA Candidates in May 2009
- Government Finance Officers Association (GFOA)
- Chartered Global Management Accountant
- Government Audit Quality Center
- GFOA Special Review Committee Member

EXPERIENCE

Includes sixteen years of providing public accounting, tax and auditing services, specializing in municipalities, school districts, charter schools, special purpose governments and homeowners associations.

EDUCATION

University of Texas at San Antonio, 2008, M.S. in Accounting.
Colorado School of Mines, 2005, B.S. in Computer Science.



REFERENCES

- | | |
|--|---|
| 1. City of Garden Ridge
1995 – Present
210-651-6632 | Nancy Cain
City Administrator |
| 2. City of Kirby **
1985 – Present
210-661-3198 | Tina Ynfante
Finance Director |
| 3. City of Seguin**
Certificate of Achievement for Excellence in Financial Reporting (2008 – 2018, 2019 pending)
1997-1999; 2002 – Present
830-401-2450 | Steve Parker, City Manager

Susan Cadell, Director of Finance |
| 4. City of Selma
1984 – Present
210-651-6661 | Hortencia Lozano
Finance Director |
| 5. City of Terrell Hills
2005 – Present
210-342-1181 | Michelle Partain
Assistant City Manager |

** Single Audit

In 2020, we audited 30 municipalities, 4 counties, 7 school districts and several special purpose governments.



SPECIFIC AUDIT APPROACH

The approach we take places a high priority on quality service while maintaining an acceptable level of efficiency. We feel that quality is most often enhanced by planning the audit work flow to provide the least interruption to City personnel. Following is a brief outline of the anticipated audit work.

Prior to the end of the fiscal year we begin to analyze internal controls through interviews and walkthrough procedures, compute initial planning materiality, assess audit risk and determine audit steps to detect and report financial statement misstatements due to error or fraud, if any. Once the above has been accomplished, we modify the audit program based on our assessment of audit need and risk. Other preliminary field work will include:

1. Prepare all confirmations to be mailed on October 1;
2. Review minutes of City meetings to date;
3. Review budget amendments to date;
4. Test capital asset and supply inventories;
5. Test bond transactions to date;
6. Verify equity balances; and
7. Identify and test to date federal and state assistance.

Additional procedures will be performed during fieldwork and will include steps to test the following:

1. Revenues;
2. Payables and receivables;
3. Bank balances;
4. Investments, and
5. Other balance sheet accounts not already tested.
6. Additional federal and state compliance testing.

We have found random sampling of transactions in financial statements to be less effective than subjective sampling based on our understanding of the City and its risk profile. Thus, we will develop trends, interview staff, and drill down on areas we believe to be risky. Those areas may have high or low volumes of transactions. So a sample size is not pre-determined and we select these items subjectively.

Our analytical procedures start with gaining an understanding of the City. We interview staff, read minutes and review significant contracts in place. We then gather key performance metrics (number of citations, number of permits issued, number of personnel, etc.). We then develop a multiple year (at least 3 if possible) trend analysis, comparing the financial accounts to prior periods, the budget, performance metrics, and our own expectations. Based on the results of these analyses, we select our samples and plan our testing.

For federal single audits, our sample sizes follow required sampling techniques of the lesser of 40 or 10% of the transaction population (assuming no deviations are found). Our samples are selected randomly. We use our extensive experience with other municipalities and the grant agreements of the City to develop a list of compliance and internal control tests applicable to the City.



We will request assistance of your personnel in supplying us with various schedules and account information and documents to facilitate our work. We will provide a list of anticipated documentation prior to June 10 as requested in the request for qualifications.

The audit methodology for multi-year engagements is the same as described in the preceding sections. However, we re-assess the need for audit coverage on particular areas based on knowledge gained through previous audits. Areas given low priority for audit risk one year may be tested in more detail in subsequent years.

We use the CCH Knowledge Coach to provide an overall audit plan however the program is adjusted as necessary to fit the specific needs of the City of Johnson City. We maintain completely paperless engagement documentation and prefer electronic records from clients. However, we can accommodate any working situation that is most convenient for the City.

A sample request list follows:

1. Trial balance as of year end
2. General ledger for the fiscal year and future year to date
3. Accounts payable open item report as of year end
4. Check register October and November after year end
5. Listing of employee vacation balances at year end
6. Utility Billed Consumption report for the fiscal year, totals only
7. Utility account balance report, as of year end
8. Utility deposit listing, as of year end
9. Approved amendments to the budget, if any
10. Utility inventory listing at year end
11. Calculation of accrued wages at year end or information from the first payroll after year end to calculate it
12. September bank statements and reconciliations
13. Investment training certificates for any investment officers
14. Investment policy and quarterly reports
15. Tax collector summary report for September
16. Description of any related parties or pending litigation
17. Summary reports for permits and tickets for the year showing volume of these activities
18. Member service credit listing from Texas Municipal Retirement System portal
19. Depreciation schedule at year end or a review of the prior year schedule if maintained by your auditor
20. Monthly TMRS Submissions



PROPOSER WARRANTIES

- A. Proposer warrants that it is willing and able to comply with the State of Texas Laws.
- B. Proposer warrants that it is willing and able to obtain an errors and omissions insurance coverage providing a prudent amount of coverage for the willful or negligent acts, or omissions of any officers, employees or agents thereof.
- C. Proposer warrants that it will not delegate or subcontract its responsibilities under the audit engagement without the prior written permission of the City of Johnson City.
- D. Proposer warrants that all information provided by it in connection with this proposal is true and accurate.

Signature of Official: Deborah F. Fraser, CPA, CGMA

Name: Deborah F. Fraser, CPA, CGMA

Title: Shareholder

Firm: Armstrong, Vaughan & Associates, P.C.

Date: May 27, 2021