ATCHLEY & ASSOCIATES LLP
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

Honorable Mayor and
Members of the City Council
City of Johnson City, Texas
303 E. Pecan Drive
Johnson City, Texas 78636

In planning and performing our audit of the financial statements of the City of Johnson City, Texas (the City) as of and for the year ended September 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in the City's internal control to be material weaknesses:

During the audit, management informed us that all bank accounts were not incorporated into the financial reporting system and that bank reconciliations were not performed on the bank accounts that were in the financial reporting system. This led to current cash balances not being correctly presented and it is unknown to the completeness and appropriateness of cash transactions recorded. Management did engage a third-party CPA to perform the bank reconciliations for the general and utility fund accounts and those reconciliations were not incorporated into the financial reporting system and were not able to identify all of the transactions that should be reported to correct the general ledger. These were two of the factors that led to our disclaimer of opinion. Management has in FY 2020-2021 started to reconcile the bank statements and has added all bank accounts to the financial reporting system.

Management's Response:

Beginning October 1, 2021, City Staff commenced monthly bank reconciliations for all financial accounts. Bank reconciliations are completed by one staff member and approved by another staff member. City Staff contracted with a third-party CPA in FYE 2021 to complete FYE 2020 bank reconciliations for audit purposes, as those bank reconciliations were not completed. The current City Auditor was provided the third-party CPA's work product.

During the audit, management informed us that the prior audits were performed with books and records that were recorded in a different accounting system. The City has decided to use a different financial accounting system moving forward. The 2019 audit balances were not brought over to the different accounting system and reconciled, causing material differences, this was one of the factors that led to our disclaimer of opinion.

Management's Response:

Beginning October 1, 2021, City Staff utilized Fund Balance, a financial management and reporting module, exclusively. All financial transactions and bank reconciliations are entered into and reconciled against financial data within Fund Balance. Audit adjustments will be made on all existing assets, liabilities, and reserves/balances for all Funds within Fund Balance at the conclusion of the FYE 2020 audit.

The City's written response to the material weaknesses identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Atchley & Associates, LLP

Austin, Texas
September 23, 2021