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

We have audited the financial statements of the City of Johnson City, Texas (the City) for the year ended September 30, 2020, and have issued our report thereon dated September 23, 2021. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As communicated in our engagement letter dated June 3, 2021, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. In accordance with *Government Auditing Standards*, we have performed tests of controls over internal control over financial reporting and tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements that contribute to the evidence supporting our opinion on the financial statements. However, they do not provide a basis for opining on the entity's internal control over financial reporting or on compliance and other matters.

Our audit of the financial statements was performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding significant control deficiencies and material weaknesses and other matters noted during our audit in a separate letter to you dated September 23, 2021.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

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Compliance with All Ethics Requirements Regarding Independence

The engagement team and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note A to the financial statements. As described in Note A, the City adopted Government Accounting Standards Board (GASB), Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are management's estimate of the allowance for uncollectible receivables and management's estimate of depreciation.

Management's estimate of:

- The allowance for uncollectible receivables is based on past experience with collections of taxes and other fees.
- Fair value of investments which is based on the following:
    - Money market and fixed income are based on unadjusted quoted prices for identical assets in active markets. TexPool investments are recorded at net asset value.
- Useful lives and depreciation methods approved by the City Council.
- Pension and OPEB obligations which are based on actuarial reports.

Management's estimates of these areas are based on management's knowledge and experience about past and current events, and assumptions about future events made by management and actuaries.

We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the City's financial statements relate to contingencies, accruals and estimates of future obligations and fair value estimates.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management are attached to this letter.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated September 23, 2021.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

Modifications of Auditors' Report

We have made the following modification to our auditor's report. We included an *Emphasis of Matter* paragraph that discusses that the 2019 financial statements were audited by other auditors who issued a disclaimer of opinion on the financials, that the 2019 financial statements have been restated to correct a misstatement, and that we are issuing a disclaimer of opinion on these financial statements.

This report is intended solely for the information and use of the City Council and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the City of Johnson City, Texas.

Atchley & Associates, LLP

Austin, Texas
September 23, 2021

City of Johnson City, Texas
Year End: September 30, 2020
Journal Entries: Adjusting

Number	Name	Account No	Debit	Credit
1	A/R-Control: Garbage Receivable	2100-1110 GF01	$ 4,668	
	A/R-Control Garbage Tax Billed	2100-1109 GF01	312	
	Solid Waste Collection	01-4104-007 GF01	310	
	A/R-Control-Tax Collector Receivable	2100-1114 GF01	209	
	Solid Waste Collection	01-4104-007 GF01		$ 4,668
	Solid Waste Collection	01-4104-007 GF01		312
	A/R-Control Garbage Sales Tax Receivable	2100-1111 GF01		310
	PENALTY & INTEREST	01-4003-000 GF01		209
	A/R Control Water Billed	8711-1114 ENT01	24,558	
	VERP Fee	03-4808-000 ENT01	4,917	
	A/R Control Late Charges Billed	8711-1107 ENT01	962	
	A/R Control Sewer Billed	8711-1112 ENT01	458	
	A/R Control Auditor Adjustments	8711-1121 ENT01	59	
	Water	03-4801-000 ENT01		24,558
	METER DEPOSITS	03-2030 ENT01		4,917
	Late Fees	03-4805-000 ENT01		962
	Sewer	03-4802-000 ENT01		458
	VERP Fee	03-4808-000 ENT01		59
	To Book A/R			
2	Original Value-System Improvements	8711-1511 ENT01	4,293,891	
	Original Value-Sewer & Water Imp Const	8711-1510 ENT01	2,690,688	
	Original Value-Construction In Progress	8711-1512 ENT01	1,213,202	
	Fund Balance	03-3500 ENT01	751,519	
	Original Value-Machinery & Equipment	8711-1508 ENT01	226,549	
	Original Value: Autos & Trucks	8711-1505 ENT01	122,881	
	Original Value: Buildings	8711-1506 ENT01	100,163	
	DEFERRED OUTFLOW RELATED TO	8711-1997 ENT01	63,269	
	A/R Control Water Billed	8711-1114 ENT01	48,731	
	Original Value: Land	8711-1507 ENT01	41,402	
	Original Value-Office Equipment	8711-1509 ENT01	29,803	
	A/R Control Sewer Billed	8711-1112 ENT01	28,326	
	A/R Control Auditor Adjustments	8711-1121 ENT01	5,108	
	TexPool - Utility Fund	8711-0104 ENT01	847	
	DEFERRED OUTFLOW RELATED TO OPEB	8711-1998 ENT01	754	
	TEXPOOL-CONSRUCTION	8711-1017 ENT01	731	
	A/R Control Late Charges Billed	8711-1107 ENT01	655	
	Other Current Asset Chlorine Deposit	8711-1305 ENT01	200	
	A/R Control Service Fees Billed	8711-1110 ENT01	195	
	S/T Liab-Payroll FUTA	8711-2030 ENT01	9	
	Long Term Liab - Invested in Cap net of Re	8711-3200 ENT01		4,189,811
	Original Value: Acc Depr Sys Imp	8711-1504 ENT01		2,986,517
	Original Value-Acc Depr. -Water Tower	8711-1515 ENT01		1,131,628
	S/T Liab - General Fund Deposit	8711-2012 ENT01		453,814
	Original Value: Acc Depr M&E	8711-1503 ENT01		194,758
	NET PENSION LIABILITY	8711-2580 ENT01		173,438
	Accounts Payable	8711-2005 ENT01		104,891
	Original Value: Acc. Depr A & T	8711-1502 ENT01		99,210
	METER DEPOSITS	03-2030 ENT01		98,327
	Original Value: Acc Dep Bldgs	8711-1500 ENT01		89,070
	Original Value: Acc Dep Off Eq	8711-1501 ENT01		27,585
	S/T Liab - Payroll Federal Withholding	8711-2016 ENT01		22,947

City of Johnson City, Texas
Year End: September 30, 2020
Journal Entries: Adjusting

Number	Name	Account No	Debit	Credit
2 - Continued				
	NET OPEB LIABILITY	8711-2585 ENT01		12,243
	S/T Liab - Health Ins Dependent Payable	8711-2013 ENT01		11,923
	DEFERRED INFLOW RELATED TO PENSION	8711-2602 ENT01		11,901
	Payroll Liabilities	8711-2003 ENT01		7,466
	A/R Control Allowance For Doubtful Accts	8711-1106 ENT01		2,446
	DEFERRED RESOURCE INFLOW RELATED	8711-2603 ENT01		948
	To book Utility Fund beginning balances.			
3	TexPool - Utility Fund	8711-0104 ENT01	9	
	Interest Income	03-5000-000 ENT01		5
	TEXPOOL-CONSRUCTION	8711-1017 ENT01		4
	to adjust txpool balances to agree to final balances.			
4	A/R-Control:Due From Other Fund	2100-1100 GF01	453,814	
	Fund Balance	01-3500 GF01	382,220	
	Accounts Receivable	2100-1102 GF01	34,498	
	A/R-Control: Garbage Receivable	2100-1110 GF01	27,553	
	A/R-Control Taxes Receivable	2100-1103 GF01	17,688	
	A/R-Control Garbage Sales Tax Receivable	2100-1111 GF01	2,560	
	A/R-Control Garbage Tax Billed	2100-1109 GF01	1,932	
	A/R-Control-Tax Collector Receivable	2100-1114 GF01	466	
	Tex Pool General Fund	2100-1038 GF01	76	
	Due to Debt Service	2100-2083 GF01		314,788
	Due to Special Revenue	2100-2082 GF01		285,962
	Payroll Liab.-Social Security Employee	2100-2115 GF01		128,631
	Accounts Payable	2100-2005 GF01		88,775
	Payroll Liab.-Federal Withholding	2100-2105 GF01		42,687
	Payroll Liab-Accrued Wages Payable	2100-2106 GF01		20,909
	LT Liab-Deferred Taxes	2100-2500 GF01		16,803
	Payroll Liab.-Retirement Retirement Paya	2100-2112 GF01		13,224
	Payroll Liab.-Medicare Employees	2100-2109 GF01		6,640
	Payroll Liab - Child Support	2100-2119 GF01		1,504
	Allowance For Uncollectible Taxes	2100-1106 GF01		884
	to book General Funds beginning balances.			
5	Property Taxes	01-4001-001 GF01	225,597	
	Fund Balance	01-3500 GF01	20,027	
	Property Taxes	01-4001-001 GF01	907	
	LT Liab-Deferred Taxes	2100-2500 GF01	861	
	Allowance For Uncollectible Taxes	2100-1106 GF01	45	
	Due to Debt Service	2100-2083 GF01		219,825
	Property Taxes	01-4001-001 GF01		20,027
	Refunds	01-4704-006 GF01		5,772
	A/R-Control Taxes Receivable	2100-1103 GF01		907
	PENALTY & INTEREST	01-4003-000 GF01		906
	Due from General Fund	6500-1301 DSF01	219,825	
	UNAVAILABLE REVENUES- Taxes-Debt	6500-2503 DSF01	1,750	

City of Johnson City, Texas
Year End: September 30, 2020
Journal Entries: Adjusting

Number	Name	Account No	Debit	Credit
5 - Continued				
	ALLOWANCE FOR UNCOLLECTIBLE	6500-1117 DSF01	25	
	PROPERTY TAX-DEBT SERVICE	6500-4042 DSF01		219,825
	Penalty and Interest	6500-4040 DSF01		777
	TAXES REC-DEBT SERVICE	6500-1116 DSF01		499
	Penalty and Interest	6500-4040 DSF01		499
	Update Property Taxes			
6	Due from General Fund	6500-1301 DSF01	314,788	
	TAXES REC-DEBT SERVICE	6500-1116 DSF01	9,704	
	Fund Balance	6500-3005 DSF01		314,788
	UNAVAILABLE REVENUES- Taxes-Debt	6500-2503 DSF01		9,219
	ALLOWANCE FOR UNCOLLECTIBLE	6500-1117 DSF01		485
	To book Debt Service Fund beginning balances			
7	DUE FROM GENERAL FUND	3200-1301 SRF01	285,962	
	A/R-HOTEL/MOTEL TAX	3200-1112 SRF01	22,306	
	Fund Balance	02-3500 SRF01		283,268
	ACCOUNTS PAYABLE	3200-2010 SRF01		25,000
	To book Special Reveue Funds beginning balances			
				-
8	TWDB ESCROW-BANK OF TEXAS	7600-1611 CPF01	48,545	
	Fund Balance	7600-3010 CPF01		48,545
	To book Captial Projects Fund beginning balances.			
9	Accounts Receivable	2100-1102 GF01	2,498	
	Sales & Use Tax	01-4101-002 GF01		2,498
	to adjust sales tax revenue.			
10	Net Pension Liability	03-2410 ENT01	39,436	
	Pension Expense	03-5000 ENT01	15,681	
	Deferred Inflows Pension (GASB 68)	03-2705 ENT01		40,279
	Deferred Outflows Pension (GASB 68)	03-1705 ENT01		14,838
	Net Pension Liability	50-2410 G34G	124,882	
	Pension Expense	50-5000 G34G	49,656	
	Deferred Inflows - Pension (GASB 68)	50-2705 G34G		127,549
	Deferred Outflow - Pension (GASB 68)	50-1705 G34G		46,989
	Gasb 68 Entry			
11	Deferred Outflow - OPEB (GASB 75)	03-1710 ENT01	1,380	
	Pension Expense	03-5000 ENT01	1,030	
	Net OPEB Liability	03-2415 ENT01		2,057
	Deferred Inflows - OPEB (GASB 75)	03-2710 ENT01		353

City of Johnson City, Texas
Year End: September 30, 2020
Journal Entries: Adjusting

Number	Name	Account No	Debit	Credit
11 - Continued				
	Deferred Outflow - OPEB (GASB 75)	50-1710 G34G	4,371	
	Pension Expense	50-5000 G34G	3,258	
	Net OPEB Liability	50-2415 G34G		6,512
	Deferred Inflows - OPEB (GASB 75)	50-2710 G34G		1,117
	To book GASB 75 entries			
12	Accounts Payable	2100-2005 GF01	83,522	
	Fund Balance	01-3500 GF01		66,203
	Audit	01-6327-518 GF01		10,000
	MC STATE COST	01-2038 GF01		6,146
	Legal Services	01-6328-518 GF01		1,173
	Accounts Payable	8711-2005 ENT01	97,142	
	Operational Expenses	03-6210-600 ENT01		79,495
	WWTP REIM/EXP	03-9500-600 ENT01		10,647
	Audit	03-6327-600 ENT01		7,000
	to back out prior year accounts payable.			
13	ACCOUNTS PAYABLE	3200-2010 SRF01	25,000	
	Special Event/Parade Permit	02-4103-000 SRF01	22,306	
	Visitors Center Operations	02-7000-000 SRF01		25,000
	A/R-HOTEL/MOTEL TAX	3200-1112 SRF01		22,306
	HOT Fund Activity			
14	2012 Bonds - Long Term	50-2405 G34G	80,000	
	2015 Bonds - Long Term	50-2406 G34G	45,000	
	Premium on Refunding	50-2400 G34G	4,040	
	Interest Expense	50-INTEREST EXP G34G	2,584	
	Bond Prinicpal Payments	50-BOND PRINC G34G		125,000
	Interest Expense	50-INTEREST EXP G34G		2,714
	Accrued Interest Payable	50-2420 G34G		2,584
	Deferred Outflow - Refunding	50-1700 G34G		1,326
	BOND PRINCIPAL	6500-6007 DSF01	125,000	
	BOND INTEREST	6500-6008 DSF01	43,366	
	Transfers from GF	6500-7000 DSF01		168,366
	Transfers Out	01-9005-000 GF01	168,366	
	Bond, Series 2012	01-6306-518 GF01	38,100	
	Bond, Series 2015	01-6324-518 GF01	28,798	
	Bond, Series 2012	01-6306-518 GF01		107,750
	Transfers In	01-9000-000 GF01		66,898
	Bond, Series 2015	01-6324-518 GF01		60,616
	Transfer Out	8711-5001 ENT01	66,898	
	Bond, Series 2012	03-6306-600 ENT01		38,100
	Bond, Series 2015	03-6324-600 ENT01		28,798

City of Johnson City, Texas
Year End: September 30, 2020
Journal Entries: Adjusting

Number	Name	Account No	Debit	Credit
14 - Continued				
	To book debt entries for FY 2020.			
15	TWDB ESCROW-BANK OF TEXAS	7600-1611 CPF01	302	
	Interest Earned	7600-4011 CPF01		302
	To adjust escrow account for interest earned during the year			
16	Audit	01-6327-518 GF01	9,000	
	ACCOUNTS PAYABLE	01-2020 GF01		9,000
	Audit	03-6327-600 ENT01	9,000	
	ACCOUNTS PAYABLE	03-2020 ENT01		9,000
	To accrue for invoices paid after year end.			
17	PAYROLL LIABILITIES	01-2010 GF01	446,558	
	RETIREMENT	01-2013 GF01	358,748	
	Payroll Liab.-Social Security Employee	2100-2115 GF01	128,631	
	INSURANCE PREMIUMS	01-2011 GF01	120,493	
	Payroll Liab.-Federal Withholding	2100-2105 GF01	42,687	
	SUPPL INSURANCE	01-2012 GF01	33,994	
	Payroll Liab-Accrued Wages Payable	2100-2106 GF01	20,909	
	Payroll Liab.-Retirement Retirement Paya	2100-2112 GF01	13,224	
	Payroll Liab.-Medicare Employees	2100-2109 GF01	6,640	
	Salaries	01-6021-514 GF01	6,542	
	Payroll Liab - Child Support	2100-2119 GF01	1,504	
	FICA / Medicare	01-6070-514 GF01	789	
	TMRS	01-6080-514 GF01	581	
	Fund Balance	01-3500 GF01		1,168,076
	TMRS	01-6080-514 GF01		13,224
	S/T Liab - Payroll Federal Withholding	8711-2016 ENT01	22,947	
	Fund Balance	03-3500 ENT01	21,756	
	S/T Liab - Health Ins Dependent Payable	8711-2013 ENT01	11,923	
	Payroll Liabilities	8711-2003 ENT01	7,466	
	Salaries	03-6021-600 ENT01	2,034	
	TMRS	03-6080-600 ENT01	201	
	FICA / Medicare	03-6070-600 ENT01	135	
	INSURANCE PREMIUMS	03-2011 ENT01		57,267
	PAYROLL LIABILITIES	03-2010 ENT01		6,809
	RETIREMENT	03-2013 ENT01		2,377
	S/T Liab-Payroll FUTA	8711-2030 ENT01		9
	To Adjust Accrued Payroll			
18	Fund Balance	01-3500 GF01	286,774	
	Back Taxes - Due to IRS	01-2014 GF01		286,774
	Fund Balance	03-3500 ENT01	90,560	
	Back Taxes - Due to IRS	03-2014 ENT01		90,560
	To book accrued back taxes.			

City of Johnson City, Texas
Year End: September 30, 2020
Journal Entries: Adjusting

Number	Name	Account No	Debit	Credit
19	CASH	01-1000 GF01	298,315	
	Grant Revenue	01-4800-000 GF01		298,315
	To record government grant revenue received and not recorded.			
20	MC STATE COST	01-2038 GF01	66,622	
	Garbage Sales Tax	01-2033 GF01	39,420	
	Pct 4 Warrant Collections	01-2034 GF01	3,268	
	Fund Balance	01-3500 GF01		91,888
	OMNI Fee	01-2035 GF01		16,847
	BONDS	01-2037 GF01		575
	System Credit Card	03-2031 ENT01	69,864	
	CASH	03-1000 ENT01		69,864
	To update accounts payable balances.			
21	Fund Balance	01-3500 GF01	1,917,276	
	Expense Other - Fund Balance	01-9999-000 GF01	201,967	
	Due from UF	01-1200 GF01	140,086	
	CASH	01-1000 GF01		2,119,239
	Transfers In	01-9000-000 GF01		140,090
	Fund Balance	03-3500 ENT01	181,901	
	Transfers Out	03-5005-000 ENT01	140,086	
	CASH	03-1000 ENT01		181,901
	TSF TO GENERAL	03-2036 ENT01		140,086
	Cash	04-1000 DSF01	14,994	
	Transfers from GF	6500-7000 DSF01		14,994
	FNC Accounts	06-1005 CPF01	201,963	
	Cash	06-1000 CPF01	4	
	Fund Balance	7600-3010 CPF01		201,963
	Interest Earned	7600-4011 CPF01		4
	Cash - Parks	09-1000 SRF01	536	
	Transfers Out	09-6000-000 SRF01		536
	To adjust cash balances.			
22	Expense Other - Fund Balance	01-9999-000 GF01	283,375	
	Transfers Out	01-9005-000 GF01	207,873	
	Transfers Out	01-9005-000 GF01	15,534	
	Fund Balance	01-3500 GF01		298,909
	GRANT CONTRACT	01-6323-518 GF01		207,873
	Fund Balance	02-3500 SRF01	103,459	
	CASH	02-1000 SRF01		103,459
	Other Expenses	50-OTHER G34G	37,430	
	Unrestricted Net Position	50-3000 G34G		37,430
	TSF TO GENERAL	03-2036 ENT01	1,086,771	
	Transfers In	03-4809-000 ENT01	292,036	

City of Johnson City, Texas
Year End: September 30, 2020
Journal Entries: Adjusting

Number	Name	Account No	Debit	Credit
22 - Continued				
	Original Value-Construction In Progress	8711-1512 ENT01	207,873	
	Fund Balance	03-3500 ENT01		1,294,844
	Transfers In	03-4809-000 ENT01		207,873
	Operational Expenses	03-6210-600 ENT01		83,963
	Entry to roll net assets.			
23	Depreciation Expense	50-DEPRE G34G	170,178	
	Accumulated Depreciation - Building & Improvements	50-1500 G34G		131,525
	Accumulated Depreciation - Machinery & Equipment	50-1505 G34G		38,653
	Original Value-Sewer & Water Imp Const	8711-1510 ENT01	1,421,075	
	Depreciation Expense	8711-6500 ENT01	287,854	
	Original Value-Construction In Progress	8711-1512 ENT01		1,421,075
	Original Value: Acc Depr Sys Imp	8711-1504 ENT01		134,374
	Original Value-Acc Depr. -Water Tower	8711-1515 ENT01		128,746
	Original Value: Acc. Depr A & T	8711-1502 ENT01		12,638
	Original Value: Acc Depr M&E	8711-1503 ENT01		7,944
	Original Value: Acc Dep Bldgs	8711-1500 ENT01		2,920
	Original Value: Acc Dep Off Eq	8711-1501 ENT01		1,232
	Fixed Asset Entry			
24	Deferred Inflows - Property Taxes	50-2500 G34G	23,411	
	Property Tax Revenue	50-PROP REV G34G		23,411
	Entry to recgonize deferred inflow of taxes			
25	Due to Debt Service	2100-2083 GF01	534,613	
	Due to Special Revenue	2100-2082 GF01	285,962	
	Transfers In	01-9000-000 GF01		820,575
	Transfers Out	09-6000-000 SRF01	285,962	
	DUE FROM GENERAL FUND	3200-1301 SRF01		285,962
	Transfers to GF	04-5005-000 DSF01	534,613	
	Due from General Fund	6500-1301 DSF01		534,613
	To back out interfund receiavable / payables.			

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September 23, 2021

Atchley & Associates, LLP
1005 La Posada Drive
Austin, TX 78752

This representation letter is provided in connection with your audit of the basic financial statements of the City of Johnson City, Texas (the City), as of and for the year ended September 30, 2020, the related notes to the financial statements and required supplementary information, for the purposes of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of the City in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, considering surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of the date of this letter:

Financial Statements

We confirm that we are responsible for the following, as set out in the terms of the contract for independent audit services dated June 3, 2021, including appendices and attachments thereto and subsequent modifications:

1. For the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
2. The fair presentation, in the basic financial statements, of the financial position of the governmental activities, each major fund, and the aggregate remaining fund information, in conformity with U.S. GAAP.
3. The measurement and fair presentation of the required supplementary information, including Management's Discussion and Analysis, and additional supplemental schedules accompanying the basic financial statements that are presented for the purpose of additional analysis of the basic financial statements, in conformity with U.S. GAAP.
4. The design, implementation, and maintenance of programs and internal controls relevant to the preparation and fair presentation of financial statements which are free from material misstatement, whether due to fraud or error.

5. The design, implementation, and maintenance of internal controls to prevent and detect fraud.
6. Compliance with the laws, regulations, and provisions of contracts and grant agreements.
7. Establishing and maintaining effective internal control over financial reporting.
8. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
9. We have a process to track the status of audit findings and recommendations.
10. Identifying and communicating to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
11. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
12. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
13. All events after the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
14. We have informed you of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* which codifies FASB Accounting Standards Codification (ASC) 450, *Contingencies.*
15. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
16. All funds and activities are properly classified.
17. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
18. All components of net position, non-spendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
19. Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
20. In all material aspects, all revenues within the statement of activities have been properly classified as program revenues or general revenues.

21. In all material aspects, all expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.

22. In all material aspects, all inter-fund and intra-entity transactions and balances have been properly classified and reported.

23. In all material aspects, special items and extraordinary items have been properly and reported.

24. In all material aspects, deposit and investment risks have been properly and fully disclosed.

25. In all material aspects, capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.

26. In all material aspects, all required supplementary information is measured and presented within the prescribed guidelines.

27. In all material aspects, nonexchange and exchange financial guarantees, either written or oral, under which it is more likely than not that a liability exists have been properly recorded, or if we are obligated in any manner, are disclosed.

28. Regarding pensions and Other Post-Employment Benefits (OPEB):

    1. We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.

    2. We are unable to determine the possibility of a withdrawal liability from the Texas Municipal Retirement System (TMRS) Plan, of which we are a sponsor and are not currently contemplating withdrawing from the TMRS.

    3. Increases in benefits, elimination of benefits and all similar amendments have been disclosed in accordance with U.S. GAAP and are included in the most recent actuarial valuation or disclosed as a subsequent event.

29. Regarding investments and other instruments reported at fair value:

    1. The underlying assumptions are reasonable, and they appropriately reflect management's intent and ability to carry out its stated courses of action.

    2. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.

    3. The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.

    4. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

Information Provided

We have provided you with:

30. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, and other matters;

31. Additional information that you have requested from us for the purpose of the audit;

32. Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence;

33. Information on where to view minutes of the meetings of the City Council, or provided summaries of actions of recent meetings for which minutes have not yet been prepared;

34. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated because of fraud;

35. We have informed you of any fraud or suspected fraud that affects the City and involves:

    a. Management (current or past)

    b. Employees (current or past) who have significant roles in internal controls: or

    c. Others where the fraud could have a material effect on the financial statements

36. We have informed you of any instances, that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance, whether communicated by employees, former employees, vendors (contractors), regulators, or others;

37. We have no knowledge of any instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that has a material effect on the determination of the financial statement amounts or other financial data significant to the audit objectives;

38. We have informed you of any instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to financial statements or other financial data significant to the audit objectives;

39. If necessary, we have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that you have reported to us;

40. We have informed you of any pending or threatened litigation and claims whose effect should be considered when preparing the financial statements;

41. We have disclosed to you the identity of the City's related parties and all related party relationships and transactions of which we are aware;

42. We have informed you of any communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices;

43. The City has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities;

44. We have disclosed to you all guarantees, whether written or oral, under which the City is contingently liable;

45. We have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, for those guarantees where it is more likely than not that the entity will make a payment on any guarantee;

46. For nonexchange financial guarantees where we have declared liabilities, the amount of the liability recognized is the discounted present value of the best estimate of the future outflows expected to be incurred because of the guarantee. Where there was no best estimate, but a range of estimated future outflows has been established, we have recognized the minimum amount within the range;

47. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year;

48. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds;

49. There are no:

    a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.

    b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.

    c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.

    d. Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).

50. The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.

51. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

52. To the best of our knowledge, tax-exempt bonds have retained their tax-exempt status.

Supplementary Information in relation to the Financial Statements as a Whole

With respect to supplementary information presented in relation to the financial statements as a whole:

53. We acknowledge our responsibility for the presentation of the supplementary information in accordance with U.S. GAAP.

54. We believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP.

55. The methods of measurement or presentation have not changed from those used in the prior period.

56. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information as they become available, but no later than the date of issuance by the City of the supplementary information and the auditors' report thereon.

Required Supplementary Information

With respect to the required supplementary information accompanying the basic financial statements:

57. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with U.S. GAAP and U.S. GASB.

58. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with U.S. GAAP and U.S. GASB.

59. The methods of measurement or presentation have not changed from those used in the prior period.

60. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information as they become available, but no later than the date of issuance by the City of the supplementary information and the auditors' report thereon.

Restatement

We agree with the restatement of the previously issued financial statements discussed in Note P. In that regard:

61. The restatement corrects an error in those financial statements.

62. We were not aware of the error when those financial statements were issued.

63. We are not aware of any other errors in those financial statements.

64. We do not believe it is necessary to recall those financial statements and all users of those financial statement will receive a copy of the current year's financial statements and independent auditors' report.

Compliance Considerations

In connection with your audit, conducted in accordance with Government Auditing Standards, we confirm that management:

65. Is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the City.

66. Has identified and disclosed to the auditor all instances, if any, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

67. Has identified and disclosed to the auditor all instances, if any, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

68. Has identified and disclosed to the auditor all instances, if any, that have occurred or are likely to have occurred of abuse, financial or otherwise, that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.

69. If necessary, has taken timely and appropriate steps to remedy fraud; noncompliance with provisions of laws, regulations, contracts, and grant agreements; or abuse that the auditor reports.

70. Has a process to track the status of audit findings and recommendations.

71. If any, have provided views on the auditor's reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report.

72. We are responsible for and have reviewed and approved the proposed adjustments to the trial balances identified during the audit, which are included in the summarized schedule of posted adjustments and will post all adjustments accordingly. We have reviewed, approved, and are responsible for overseeing the preparation and completion of the basic financial statements and related notes.

73. We have complied with all aspects of contractual agreements, grants, and donor restrictions that would have a material effect on the basic financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act and Uniform Guidance, because we have not received, expended, or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.

We are responsible for determining that significant events or transactions that have occurred since the date of the statement of net position and through the date of this letter have been recognized or disclosed in the financial statements. There are no additional events or transactions other than those disclosed in the financial statements that have occurred after the date of the statement of net position and through the date of this letter that would require recognition or disclosure in the financial statements. We further represent that, as of the date of this letter, the financial statements were complete in a form and format that complied with U.S. GAAP, and all approvals necessary for issuance of the financial statements had been obtained.

During your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

City of Johnson City, Texas:

Rhonda Stell
Mayor

9/24/21
Date

Rick Schroder
City Administrative Officer

9/23/21
Date