



April 13, 2020

To the City Council
City of Tom Bean, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tom Bean, Texas (the City) for the year ended September 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 22, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

Management's estimates of the allowance for uncollectible accounts receivable and depreciation. We evaluated the key factors and assumptions used to develop the estimates for these balances to determine that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure for long-term debt in Note 7 to the financial statements. These disclosures provide detail of debt terms, future payments, interest rates, and other information for each debt.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule Attachment I summarizes material and immaterial misstatements detected as a result of audit procedures that were corrected by management.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 13, 2020.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the management's discussion and analysis, budgetary comparison information and TMRS and Pension information; which are required supplementary information (RSI) that supplements the basic financial statements.

Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

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

Very truly yours,

LaFollett & Company, PLLC

**City of Tom Bean
Proposed Audit Adjustments
9/30/2019**

AJE #	Account	Description	Debit	Credit
AJE 1	60-701-6799	Other Services-Misc.	464	
	60-000-3711	Fund Balance		464
		<i>To properly rollforward equity in the water/sewer fund.</i>	464	464
AJE 2	10-000-1160	Accounts Receivable - Sales Tax		9,414
	10-400-5225	Sales Tax Revenue - General	9,414	
		<i>To adjust sales tax revenue to state comptroller reports.</i>	9,414	9,414
AJE 3	85-730-5225	Sales Tax Revenue - General		1,873
	85-730-6799	Other Services - Miscellaneous	1,873	
		<i>To undo reversal of March Sales Tax in the EDC fund.</i>	1,873	1,873
AJE 4	85-730-5225	Sales Tax Revenue - General		2,007
	85-000-1160	Accounts Receivable-Sales Tax	2,007	
	10-000-2043	Sales Tax Payable - CDC		2,007
	10-000-2044	Sales Tax Payable - EDC		2,007
	10-400-6789	Sales Tax Fee - Type A (CDC) and Type B (EDC)	4,014	
	80-720-5225	Sales Tax Revenue - General		2,007
	80-000-1160	Accounts Receivable-Sales Tax	2,007	
	<i>To record September sales tax revenue in the EDC and CDC funds.</i>	8,028	8,028	
AJE 5-6	NOT USED			
AJE 7	10-000-2103	Payroll Liability	17,747	
	10-400-6101	Salaries- General		3,856
	10-550-6101	Salaries- Police		10,425
	10-552-6101	Salaries-Court		3,466
	60-000-2103	Payroll Liability	10,188	
	60-701-6101	Salaries Proprietary fund		9,484
	60-701-6102	Salaries- Overtime		704
	<i>To properly accrue payroll liabilities.</i>	27,935	27,935	
AJE 8	10-552-6702	State Court Costs	6,389	
	10-400-5499	Miscellaneous Revenue		6,389
		<i>To reverse the double accrual of 2018 4th quarter state court costs.</i>	6,389	6,389

AJE #	Account	Description	Debit	Credit
AJE 9	60-000-2733	Bonds Payable - Current		5,000
PBC	60-701-6750	2017 Water Well Bond Series		5,000
	60-000-2732	Bonds Payable - Other Than Current	10,000	
	60-000-1605	Construction in Progress	495,640	
	60-000-1140	Deposits Held in Trust - GTUA	243,425	
	60-000-1141	Restricted Cash 2000 Bond - W		669,083
	60-701-5530	Interest Revenue		11,532
	60-701-6790	Interest Expense	18,642	
	60-705-6742	Fiscal Agent Fees 88-00	1,700	
	60-000-2039	GTUA Retainage Liability		41,431
	60-701-6746	2015 Bond Series		21,272
	60-701-6747	Admin Reserve Bond 2015		1,018
	60-701-6749	Admin Reserve Bond 2017		3,687
	60-701-6750	2017 Water Well Bond Series		4,266
	60-705-6741	00 Bond Series		6,618
	60-705-6745	Admin Cost Debt		500
			769,407	769,407
		<i>To adjust principal payments for the 2017 GTUA debt and to correct GTUA balances.</i>		
AJE 10	98-000-3715	Amount to be Provided GASB 68	6,726	
PBC	98-000-2551	Def (inflow) outflow - Diff in assumption changes		6,726
			6,726	6,726
		<i>To correct pension deferred inflow - difference in assumption changes.</i>		
		Total Adjustments	<u>830,236</u>	<u>830,236</u>