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June 13, 2024

Honorable Mayor and Members of City Council
City of Todd Mission, Texas
Grimes County, Texas

In planning and performing our audit of the financial statements of the City of Todd Mission, Texas (the “City”) as of and for the year ended December 31, 2023, 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 our auditing procedures 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. As such, our consideration of internal control would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

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 of the City’s financial statements on a timely basis. A material weakness is a deficiency, or a 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Last year and again this year, we observed the following deficiencies in the City’s internal control that we consider to be material weaknesses.

Material Weaknesses

The City’s management consists of an elected City Council. The City also has employees that function as a component of management. Some day-to-day operations are performed by private companies (“Consultants”) under contract with the City. City Council members and the employees of the City supervise the performance of the Consultants; however, although the Consultants can be part of the City’s system of internal control, the Consultants are not members of management. Ultimately, the City Council, and from time to time employees, of the City are responsible for the design and implementation of the system of internal control.

As is common within the system of internal control of most small organizations, the accounting function of the City does not include preparation of the financial statements complete with footnotes in accordance with accounting principles generally accepted in the United States of America. Accordingly, the City has not established internal controls over the preparation of its financial statements. This condition is considered to be a material weakness of the City’s system of internal control over financial reporting.

Material Weaknesses (Continued)

During the course of performing the audit, the auditor prepared various journal entries to present the financial statements on the government-wide basis of accounting. Management's reliance upon the auditor to detect and make these necessary adjustments is considered to be a material weakness in internal control. In addition, the City's Management relies on the City's auditor to prepare the capital asset and depreciation schedules and post adjustments related to the presentation of the capital assets in the government-wide financial statements. This reliance on the auditor to perform this function is considered to be a material weakness in the system of internal control. Auditing standards do not make exceptions for reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive.

We agree with the objective of auditing standards to inform an organization of all the conditions in its internal control that interfere with its ability to record financial data reliably and issue financial statements free of material misstatement. Communication of the material weakness above helps to emphasize that the responsibility for financial reporting rests entirely with the organization and not the auditor.

Management's Response

The members of City Council are elected from the general population and do not necessarily have governmental accounting expertise. City Council engages employees and consultants who possess industry knowledge and expertise to provide financial services, as well as legal and professional services. Based on the auditor's unmodified opinion and after reading the financial statements, City Council believes the financial statements to be materially correct. City Council does not think that the addition of an employee or consultant to oversee the annual financial reporting process is necessary nor would it be cost effective.

Conclusion

Management'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 City Council and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas