

City of Crandall, Texas
Communication Required by
Statement on Auditing Standards 114
Year Ended September 30, 2019

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May 18, 2020

To the City Council
City of Crandall, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund, of the City of Crandall, Texas for the year ended September 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated November 30, 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 of Crandall, Texas are described in Note 1 to the financial statements. During 2019, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The City also adopted the provisions of GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*. Other than these, no new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit 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 financial statements were:

Management's estimate of the net realizable value of property taxes receivable – The net realizable value of property taxes receivable is based on the City's actual records and prior collection experience.

Management's estimate of the net realizable value of water and sewer receivables – The net realizable value of water and sewer receivables is based on the City's actual billing records and prior collection experience.

Estimated lives assigned to capital assets for depreciation purposes and for presentation of the net book value of capital assets – Lives assigned to capital assets are based on the expected life of each of the respective assets.

Estimated values of net pension assets or liabilities and total OPEB liability. These estimates are based on actuarial studies prepared by TMRS.

We evaluated the key factors and assumptions used to develop these estimates in determining 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 relating to the City's debt service requirements in Note G to the financial statements. This disclosure information was prepared from information provided by management and the related bond documents.

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 summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Certain misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole. Entries considered material related to accounts payable for the construction of the police and fire building, and a provision for an allowance for estimated uncollectible fee income.

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 May 18, 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 governmental unit’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 governmental unit’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 management’s discussion and analysis, the budgetary comparison schedule – General Fund, the schedule of changes in net pension liability and related ratios, the schedule of contributions, and the schedule of changes in total OPEB liability and related ratios 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.

With respect to the supplementary information provided for the EDC included in the report, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information provided for the EDC to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory section which accompanies the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

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

Very truly yours,

Scott, Singleton, Fincher and Company, PC

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City of Crandall, Texas
Adjustments Considered but Passed due to Materiality
September 30, 2019

<u>Account</u>	<u>Description</u>	<u>W/P Ref</u>	<u>Debit</u>	<u>Credit</u>
Proposed AJE #3				
591-3900-000	Retained Earnings	7200.05	9,018.00	
591-7-50-7750-000	Grant Expense	7200.05		9,018.00

To correct TxCDBG grant expenses that were capitalized in the prior year but were not in accounts payable in the prior year