

# McCALL GIBSON SWEDLUND BARFOOT PLLC

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September 22, 2020

To the Honorable Mayor and  
Members of City Council  
City of Meadows Place, Texas  
Fort Bend County, Texas

We are pleased to confirm our understanding of the services we are to provide the City of Meadows Place, Texas (the “City”) for the year ended September 30, 2020. We will audit the financial statements of the governmental activities, the discretely presented component unit and each major fund, including the related notes to the financial statements, which collectively comprise the basic financial statements of the City as of and for the year ended September 30, 2020. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management’s discussion and analysis (MD&A), to supplement the City’s basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the City’s RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist 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 will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management’s Discussion and Analysis, and
- 2) Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund
- 3) Texas Municipal Retirement System Trend Data

We have also been engaged to report on supplementary information other than RSI that accompanies the City’s financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and we will provide an opinion on it in relation to the financial statements as a whole except for that portion marked “unaudited”, on which we will express no opinion.

## **Audit Objective**

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of accounting records and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of the City's financial statements. Our report will be addressed to the Mayor and Members of City Council. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or may withdraw from this engagement.

## **Audit Procedures – General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility, as auditors, is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts and may include direct confirmation of certain assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

### **Audit Procedures – Internal Control**

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

### **Audit Procedures – Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City's compliance with provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

### **Other Services**

We will also prepare the financial statements and the appropriate capital asset schedules including calculation of depreciation on the capital assets as required by generally accepted accounting principles based on information provided by you. We will perform the services in accordance with applicable professional standards. The other services are limited to the services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

### **Management Responsibilities**

Management is responsible for designing, implementing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

**Management Responsibilities (Continued)**

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the City involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the City received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the City complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP, (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP, (3) the methods of measurement or presentation have not changed from those used in the prior period, and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

With regard to using the auditor's report, you understand that you must obtain our prior written consent to reproduce or use our report in bond offering official statements or other documents.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

You agree to assume all management responsibilities for our preparation of the financial statement and the appropriate capital asset schedules including calculation of depreciation on the capital assets; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

### **Engagement Administration, Fees, and Other**

In order to keep the cost of the audit within the budgeted price range, and complete the audit in a timely manner, there are a few things that we would like to have prepared or laid out for us when we get there. They are as follows:

1. Final trial balances for all funds as of September 30, 2020. **Please fax this to us ASAP.**
2. Minutes of all City Council and component unit meetings from October 1, 2019, to date.
3. Copies of any new contracts or agreements entered into during the year or subsequent to the year end, especially all loan, lease and grant documents.
4. Bank reconciliations for all checking and money market accounts open at September 30, 2020.
5. Bank statements with complete enclosures for all checking and money market accounts open during the period from October 1, 2019, to October 31, 2020.
6. A schedule of investment activity for the year.
7. Please provide copies of invoices to support all new assets purchased in the year from October 1, 2019, to September 30, 2020.
8. Please provide support for all assets disposed of from October 1, 2019, to September 30, 2020.
9. Access to all available invoices paid from October 1, 2019, to date.
10. A schedule of payments made to insurance companies and copies of all policies in effect at September 30, 2020.
11. Copies of 941's, FUTA and SUTA tax reports for 4<sup>th</sup> quarter 2019, 1<sup>st</sup>-3<sup>rd</sup> quarter 2020.
12. Copies of any and all grant documents and support for all grant activity.
13. Accounts payable listing as of September 30, 2020, reconciled to the general ledger.
14. Accounts receivable listing as of September 30, 2020, reconciled to the general ledger.
15. A copy of the original approved budget and final amended version, if applicable, for the fiscal year ended September 30, 2020.
16. Municipal court binder with detailed breakdown of receipts, the Quarterly Court Costs and Arrest Fees Form and the Seat Belt Report.
17. All monthly tax statements from the Tax office for the fiscal year ended September 30, 2020.
18. A schedule of transfers of tax to the Debt Service Fund.

**Engagement Administration, Fees, and Other (Continued)**

19. A schedule or report (if applicable) of hotel/motel tax receipts, franchise tax receipts, mixed beverage tax receipts, and sales tax (including 380 sales taxes).
20. Tax collection reports from the City's tax collector for the fiscal year ended September 30, 2020.
21. A schedule computing the amount of the City's compensated absences liability as of September 30, 2020.
22. A copy of the City's vacation and sick leave policy, if revised in the current fiscal year.
23. A copy of the City's personnel manual applicable to all employees, or that portion revised in the current fiscal year.

In accordance with provisions of the Local Records Retention Schedule Section 2-1: Item 1025-01(e) we agree to retain our audit work papers in our office for a period of three years after all questions arising from the audit have been resolved. In order to allow for all questions arising from the audit to be resolved and to comply with Rule 501.76(f) of the Rules of Professional Conduct of the Texas State Board of Public Accountancy the actual date will be the five-year anniversary of the audit report in question.

We expect to present a draft of the audit report within 45 days of the availability of the City's accounting records. Chris Swedlund is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign the report. The following is an estimate of our fees for the services included in this engagement letter.

- Fees for the audit of the City's financial statements and for the other services to be provided for the year ended September 30, 2020, to range between \$29,000 and \$31,000.

Not included in the fees above are out-of-pocket costs such as printing, postage, and other charges incidental to the completion of our audit. If for any reason our services are terminated prior to issuance of a final report, our engagement will be deemed to have been completed, even if we have not completed our report. The City will be obligated to compensate us for our time expended through the date of termination. The above fee is based on anticipated cooperation from your consultants and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

You agree that any dispute regarding this engagement will, prior to resorting to litigation, be submitted to mediation upon written request by either party. Both parties agree to try in good faith to settle the dispute in mediation. The American Arbitration Association will administer any such mediation in accordance with its Commercial Mediation Rules. The results of the mediation proceeding shall be binding only if each of us agrees to be bound. We will share any costs of mediation proceedings equally.

As required by Chapter 2270, Government Code, we hereby verify that our firm does not boycott Israel and will not boycott Israel through the term of our engagement. For purposes of this verification, "boycott Israel" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes.

Pursuant to Chapter 2252, Texas Government Code, we represent and certify that, at the time of execution of this Agreement neither our firm, nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the same (i) engages in business with Iran, Sudan, or any foreign terrorist organization as described in Chapters 806 or 807 of the Texas Government Code, or Subchapter F of Chapter 2252 of the Texas Government Code, or (ii) is a company listed by the Texas Comptroller of Public Accounts under Sections 806.051, 807.051, or 2252.153 of the Texas Government Code. The term "foreign terrorist organization" in this paragraph has the meaning assigned to such term in Section 2252.151 of the Texas Government Code.

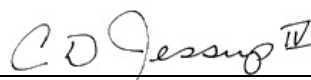
We believe this letter accurately summarizes the significant terms of the engagement. If you have any questions, please let us know. If you agree with the terms of the engagement as described in this letter, please sign the enclosed copy and return it to us. We appreciate the confidence you have placed in us by retaining this firm as your independent auditor in this matter.

Sincerely,



McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants

This letter correctly sets forth the understanding of the City.

 _____ Signature	_____ Mayor Title	_____ 09/22/2020 Date
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