

# Garza/Gonzalez & Associates

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CERTIFIED PUBLIC ACCOUNTANTS

## **CITY OF CARRIZO SPRINGS**

Carrizo Springs, Texas

### **REPORT ON CONDUCT OF AUDIT**

For the Year Ended September 30, 2021

# Garza/Gonzalez & Associates

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CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and City Council  
City of Carrizo Springs  
Carrizo Springs, Texas

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Carrizo Springs (the City) for the year ended September 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and, that we also communicate to you other information related to our audit. Such information is provided in the following sections of this report:

- the conduct of our audit (Parts I – VIII),
- other matters (Part IX)

This letter does not affect our report dated June 28, 2022, on the financial statements of the City. Our comments and recommendations, all of which have been discussed with management, are intended to improve the internal control and ensure compliance with State requirements, and to improve operations.

This report is intended solely for the use of the 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.

We would like to take this opportunity to acknowledge the courtesy and assistance extended by the personnel of the City during the course of our audit.

A handwritten signature in black ink that reads "Garza / Gonzalez & Associates". The signature is written in a cursive style with a large, sweeping flourish at the end.

June 28, 2022

CITY OF CARRIZO SPRINGS  
Carrizo Springs, Texas

Report on Conduct of Audit

For The Year Ended September 30, 2021

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## **I. Our Responsibilities Under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards***

As stated in our engagement letter dated December 7, 2021, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, 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 responsibilities.

As part of our audit, we considered the internal control of the City. Such considerations are solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions was not an objective of our audit.

## **II. Qualitative Aspects of Accounting Practices**

### *Accounting Policies*

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.

We noted no transactions entered into by the City during the year ended September 30, 2021 that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions 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.

### *Financial Statement Disclosures*

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

### *Accounting Estimates*

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 are depreciation expense; allowance for uncollectible taxes, court fines and utilities, compensated absences, the actuarially determined net pension (asset)/liability and net OPEB liabilities. Following are the bases used by management for such estimates:

- Depreciation is based on estimated useful lives of the respective capital asset class;
- Allowance for uncollectible taxes, court fines and utilities are based on historical data and trends.

- Compensated absences are based on earned balances as of September 30, 2021.
- The net pension (asset)/liability and net OPEB liability is based on actuarially determined amount as of the valuation date, adjusted for activity subsequent to the valuation date through the financial statement date.

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

### **III. Difficulties Encountered in Performing the Audit**

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

### **IV. Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The adjusting entries are as follows:

- Adjustment to decrease delinquent taxes receivable and the related deferred inflows of resources (unavailable revenue) in the general fund and debt service fund in the amount of \$42,204 and \$119,786, respectively.
- Adjustment to increase court fines receivable in the general fund by \$80,487 and related allowance for doubtful accounts by \$60,365.
- Adjustment to decrease utilities receivable and the related allowance for uncollectible accounts in the water fund, by \$327,332 and revenue by \$613,134.
- Adjustment to decrease accounts payable and increase other revenue in the hotel/motel fund by \$86,929.
- Adjustment to correct cash in the water fund by \$138,154.
- Adjustment to decrease bulk water revenue and increase fund balance in the water and sewer fund by \$402,877.
- Adjustment to record depreciation expense by \$458,109.

A number of other reclassification entries were also recommended and adopted by Management.

We also assisted the City with adjustments to convert the fund financial statements to entity-wide financial statements in accordance with the requirements of GASB Statement No. 34, No. 68, and No. 75.

## **V. Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as 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 disagreement arose during the course of our audit.

## **VI. Management Representations**

We have requested certain representations from management that are included in the management representation letter dated June 28, 2022.

## **VII. Management Consultation 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.

## **VIII. Other Issues**

### *Matters Discussed with Management Prior to Reappointment*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to appointment 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 reappointment.

### *Supplementary Information*

With respect to the combining statements, budget schedules, and pension information, as listed in the City's Annual Financial Report's table of contents; 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 such supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### *Other Information in Documents Containing Audited Financial Statements*

We are not aware of any other documents that contain the audited financial statements and the auditor's report thereon. If we become aware that such documents were published, we would have a responsibility to read such information, in order to identify material inconsistencies, if any, with the audited financial statements.

## **IX. Other Matters**

### **PRIOR YEAR COMMENTS**

The prior year comment relating to capital asset management was satisfactorily addressed during the year.

#### **Payroll Liabilities**

Our review of the general ledger account balances as of September 30, 2021 indicates a number of payroll liability accounts have not been fully reconciled. As a result, there appears to be a net overstatement of payroll liabilities of approximately \$29,360 related to accrued health, accrued FICA and TMRS payable.

We recommend the liability accounts be reviewed and reconciled monthly to ensure that balances are fairly stated. The review should include comparing the liability balances to the payments made in the subsequent month and any differences should be timely investigated and resolved.

#### **Utility Meter Deposits**

The City's water and gas customer utility deposit schedules do not reconcile to the general ledger. Management has indicated that the current listing contains a number of older accounts that require further research to determine if customers' deposits exist.

We recommend the City review the utility meter deposit schedule for accuracy and post any necessary adjustments to the general ledger in order to accurately state the deposit balances.

#### **Debt Service Fund Deficit Fund Balance**

The debt service payments exceeded the resources from property taxes resulting in a deficit fund balance as of September 30, 2021.

We recommend the City review their Interest and Sinking (I&S) Tax Rate levied for the benefit of repayment of bonded debt to ensure it is sufficient to pay its annual debt payments.

### **CURRENT YEAR COMMENT**

#### **Vendor Disbursements**

Our testing of twenty-five (25) vendor disbursements detected four (4) instances in which the disbursement was not supported by purchase orders or check request forms, as required by its purchasing policies.

We recommend the City strengthen controls and ensure purchases of goods/services are properly supported with proper documentation.