

THE FOLLOWING ARE THE QUESTIONS TO ASKED:

1. Are there currently any pending issues between City and the most current auditing firm? Were there any controversial or disagreeing issues on the last engagement?
 - a. None that we are aware of
2. What is the reason for changing auditing firms?
 - a. There were two other funds added and the prior year bid was for one year with the option to re-new one year. Therefore, it was decided to go out for bids.
3. Is there a problem if we contact the previous auditing firm?
 - a. No
4. On the last audit, did auditors issue a management letter? If yes, could we obtain a copy of it?
 - a. Yes, attached to this addendum.
5. A Copy of management letter for FYE September 30, 2021, audit if any.
 - a. Yes, it has been attached to this addendum.
6. Who handles the City's accounting? Do you have a fee accountant?
 - a. For the City the accounting is done in house.
 - b. For the EDC, they do have a fee accountant.
7. Are you in liberty of discussing audit fees for the year under proposal? Could you give us an average of the audit fees for the last three years?
 - a.

FYE 2019	\$47,503
FYE 2020	\$57,500
FYE 2021	\$70,000
8. What are the budgeted fees FYE September 30, 2022, financial audit?
 - a. \$60,000 is the proposed for FYE 2022. It has not been finalized or approved, so it is subject to change.
9. Who will be the main person (the contact person) for this audit?
 - a. The Finance Director, Nereida Perez
10. Is the City open for auditing firm to conduct field work at your location?
 - a. Yes, we are open
11. Will we have access to the internet?
 - a. Yes, there is access to the internet.
12. Will the entity be requiring additional services beyond the audit? Preparation of Audit Report? Assistance in preparation of Financial Statements? Assistance in preparing closing journal entries? Assistance in implementing new GASB standards?
 - a. Yes, our staff does not prepare the annual financial statements or disclosures.

13. How many adjusting journal entries did the external auditors for the fiscal year ending September 30, 2021, propose for the financial audit?
 - a. There were 63 entries, out of which 35 of those were initiated by the City to correct errors we noted and provided to the auditors since we have already provided the trial balance. We had a shortage of staffing during the year and were unable to get all the entries done prior to the year closing. We are now fully staffed.
14. Did the City receive any state or federal grants FYE September 30,2022, that would require a state of federal single audit?
 - a. Yes
15. Does the City anticipate any growth or funding issues that would impact the scope of the financial audit in fiscal year ending September 30, 2022, as compared to fiscal year September 30, 2021.
 - a. The City did experience significant growth and changes during the course of the FY2022. This was mainly in the development of housing and businesses. It has had a bigger impact in our revenues than our expenditures.
16. Does entity plan to present an Annual Comprehensive Financial Report (ACFR) for year(s) being proposed? If so, are you expecting assistance in preparing such report?
 - a. The City doesn't currently prepare a ACFR.
17. Has there been any turnover in top management or the accounting department since the latest audit?
 - a. Yes, the AP bookkeeper position was vacant for about two months, the chief accountant was hired in August of 2021 so she is also new to that position for 2022.
18. Have all of the findings noted in your FYE 09/30/2021 audit been cleared or resolved?
 - a. Findings 2021-001 Accounting for EMS, 2021-004 Cash Management, 2021-005 General Ledger Maintenance, 2021-007 Journal Entry Posting have all been resolved and changes have been implemented.
 - b. Findings 2021-002-Recording of Accruals, we will have to wait until the fiscal year ends. This finding was due to invoices submitted after the year end closing that related to prior year and were not accrued. 2021-003 Capital Assets, we are still working on getting these assets into Incode. We are hoping to have this done prior to year-end, but currently we are still working out of the excel rollforward schedule.
 - c. Finding 2021-006 TIRZ Receivable-The City and County are still in negotiations over the amounts. All the information has been submitted to the County auditor, we are just waiting on confirmation of the amounts. We are hoping to have this resolved by FYE 2022.
19. When will the FYE 09/30/2022 general ledger be ready for audit?
 - a. The general ledger will be ready for audit by the end of October 2022.

If there are any questions for MEDC (Mercedes Economic Development) you may contact Melissa Ramirez, Director, at mr Ramirez@mercedesedc.com.

Please remember to include the MEDC in you fee proposals separately as these fees should be invoiced directly to the MEDC.

June 20, 2022

To the Honorable Mayor
and the Members of the City Commission
City of Mercedes, 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 City of Mercedes, Texas (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 and *Government Auditing Standards* and the Uniform Guidance, 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 30, 2021. 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 I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. 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 estimate of the depreciation expense is based on a straight-line method over the useful life of capital assets. We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's allowance for uncollectible property taxes receivable. Management's estimate for the allowance for property taxes is based on percentages of historical collections of prior years' tax levies.

The Pension and OPEB liabilities are projected using methods and assumptions as provided in the most recent actuarial valuations in accordance with GASB Statement No. 68 and GASB Statement No. 75, respectively.

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

Difficulties Encountered in Performing the Audit

We met with the City Manager and Finance Director on July 30, 2021 to plan for the 2021 and set a general timeline as to when the City would be ready for us to begin our audit. Being ready for audit means that the fiscal year-end closing process has been completed, that all accounts have been reconciled, that year-end closing entries have been posted, that supporting documentation and schedules are ready for our review and that management is available to work with us throughout the audit process. As outlined in the audit engagement letter, management is responsible for making all financial and related information available to us and for the accuracy and completeness of that information. We encountered difficulties in completing our audit timely due to the state of the accounting records as well as the quality of the information provided to us for audit.

1. The following examples are intended to provide insight as to the state of the City's accounting records.
 - a. The prior year audit report outlined material weaknesses and significant deficiencies as they relate to the accounting for EMS services, the improper cutoff of revenues and expenditures, issues with properly recording capital assets and issues with pooled cash and bank reconciliations. These findings had not been corrected as of September 30, 2021.
 - b. Certain errors were apparent by simply reviewing general ledger account balances. For example, we noted two grant revenue accounts that had debit balances (negative revenue) and six expenditure accounts that had credit balances (negative expenditures). We also noted improper revenue recognition as it relates to funds received under the American Rescue Plan. Revenue should only be recognized to the extent that funds are utilized (expended) for their intended purpose.
 - c. We noted due to and due from other fund balances had not been reconciled and were out of balance.
 - d. The attention to detail necessary to maintain accurate and complete accounting records appears to be lacking. Overall, a total of 63 adjustments were posted throughout the audit process. These adjustments were provided to us by management to correct errors we noted during the audit.
2. The following examples are intended to provide insight as to the quality of the information provided to us.
 - a. The capital asset rollforward schedules contained unreconciled differences between the ending balances reflected on the rollforward schedule to the general ledger. These unreconciled differences were included in the schedule as variances, but had not been resolved by management at the time they were provided to us. The cumulative unreconciled difference included in the initial capital asset rollforward provided to us totaled \$558,630. The capital asset rollforward schedule also did not include all capital assets acquired during the year.

The capital asset depreciation schedules contained errors that resulted in prior period adjustments which decreased the net capital asset balance by \$364,915 for the governmental-activities and \$1,990,787 for the business-type activities. Additionally, this schedule was updated by management numerous times to continue to update and correct errors as they were identified. The final corrected schedules were provided to us by management on June 7, 2022.
 - b. Our initial audit request list included a request for a schedule reconciling the due to and due from other funds accounts. This audit request was made on September 14, 2021. As this item had not been provided, in an effort to assist management, on February 3, 2022 we created the reconciling schedule and identified all variances noted for management to resolve. These differences were not resolved by management until March 24, 2022.

Items noted above are further discussed in schedule of findings and questioned costs included in the annual financial report and in a separate letter to management letter dated June 20, 2022.

Due to these factors, it requires us to ask more questions and perform additional audit procedures than we would an entity whose books and records are in good order. We would hope that governance would appreciate the need for thoroughness to address risks identified as a result of errors noted throughout the audit.

These factors also caused the audit to continue for a significantly longer period of time than planned which encroached on audit timelines set for other audit clients. This created a challenge as it caused a conflict in our ability to focus all our time on the City's audit while being fair to audit clients who were audit ready by their planned timelines.

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. Management has corrected all such misstatements. Included as an attachment to this letter is a listing of adjustments posted throughout the audit.

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 June 20, 2022.

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 Management's Discussion and Analysis, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – General Fund, Schedule of Changes in Net Pension Liability and Related Ratios – TMRS, Schedule of Contributions for TMRS, Schedule of Changes in Total OPEB Liability and Related Ratios – TMRS and the Notes to Required Supplementary 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.

We were engaged to report on the combining and comparative individual nonmajor fund financial statements and schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, 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 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 and supplemental schedules, which accompany 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 information and use of the City Commission and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Benton McCall & Longo, L.L.P.

Client: **City of Mercedes**
 Engagement: **City of Mercedes**
 Period Ending: **9/30/2021**
 Workpaper: **Audit Adjustments**

Account	Description	W/P Ref	Debit	Credit
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Adjusting Journal Entries
Adjusting Journal Entries JE # 1

BML Post Only For Financial Statement Presentation - This entry removes capital assets, long term debt and pension inflows and outflows of resources from the general fund as these are government-wide items only.

01-13119	PREMIUM ON BONDS		715,361.00	
01-14371	ACCUMULATED DEPRECIATION		19,765,923.00	
01-14380	INVESTMENT IN FIXED ASSETS		33,845,629.00	
01-22130	COMPENSATED ABSENCES- CURRENT		22,738.00	
01-22131	COMP ABSENCE-SICK LEAVE		26,390.00	
01-22132	COMP TIME PAYABLE		98,224.00	
01-22140	COMPENSATED ABSENCES- NON CURR		68,213.00	
01-22141	COMP ABSENCE-SICK LEAVE		79,171.00	
01-22250	NOTES PAYABLE		687,500.00	
01-22261	LEASE PAYABLE-CNH		154,468.00	
01-22289	BOND SERIES 2016 REF (2008)		4,629,900.00	
01-22350	NET PENSION OBLIGATION		2,928,868.00	
01-22351	OPEB LIABILITY		281,025.00	
01-22539	BOND PAYABLE SERIES 2015 REFUN		1,155,000.00	
01-22540	BOND PAYABLE SERIES 2015		1,870,000.00	
01-22541	BOND SERIES PAYABLE 2013 PPFCO		1,175,000.00	
01-22563	BOND PAYABLE SERIES 2018		8,990,000.00	
01-36010	DEFERRED INFLOW-PENSION		1,271,880.00	
01-36011	DEFERRED INFLOW-OPEB		116,387.00	
01-14010	RESOURCES TO BE PROVIDED			8,303,300.00
01-14011	RESOURCES TO BE PROVIDED			3,055,521.00
01-14012	RESOURCES TO B PROVIDED			2,454,360.00
01-14013	RESOURCES TO BE PROVIDED/LE			154,468.00
01-14014	RESOURCES TO BE PROVIDED			8,990,000.00
01-14020	RESOURCES PROVIDED-COMPENSATED			294,736.00
01-14030	LAND			1,277,932.00
01-14037	BUILDINGS			14,118,562.00
01-14060	MACHINE & EQUIPMENT			4,396,970.00
01-14085	INFRASTRUCTURE			25,437,604.00
01-14095	TRANSPORTATION EQUIP			3,919,040.00
01-14363	CONSTRUCTION IN PROGRESS			28,000.00
01-14370	IMPROVEMENTS OTHER THEN BLDGS			4,433,444.00
01-22700	DEFERRED AMOUNT ON REFUNDING			194,619.00
01-22701	DEFERRED OUTFLOW-PENSION			693,533.00
01-22702	DEFERRED OUTFLOW-OPEB			129,588.00
Total			77,881,677.00	77,881,677.00

Adjusting Journal Entries JE # 2

1500.08 ✓

PBC: AJE #17958-To recognize acquired assets in FY20-21, Improvements/equipment paid for by CO fund 43.

02-14466	DISTRIBUTION SYSTEM - WATER		61,692.00	
02-14540	LIFT STATION		12,469.00	
02-14560	COLLECTION SYSTEM - SEWER		205,533.00	
02-14576	MACH & EQUIP HEAVY EQUIPMENT		204,587.00	
43-540-2204	TRANSFER OUT		279,694.00	
02-44085	TRANSFER IN			279,694.00
02-530-4020	CAPITAL OUTLAY			204,587.00
43-525-2030	LIFSTATION #3			12,469.00
43-535-2061	UTILITY REPAIRS-ROTORS			205,533.00
43-535-2062	WATER LINE REPAIR			36,600.00
43-535-2063	14TH ST & CAPISALLO			25,092.00
Total			763,975.00	763,975.00

Client: **City of Mercedes**
 Engagemnt: **City of Mercedes**
 Period Ending: **9/30/2021**
 Workpaper: **Audit Adjustments**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 3		1500.08		
PBC AJE #18092- To record the disposal of assets.				
01-14371	ACCUMULATED DEPRECIATION		74,536.00	
01-14095	TRANSPORTATION EQUIP			74,536.00
Total			74,536.00	74,536.00
Adjusting Journal Entries JE # 4		1500.08 ✓		
PBC AJE #18093 - To reclass utility accrued wages.				
02-13070	DUE FROM GENERAL FUND (01)		15,164.00	
99-25000	WAGES PAYABLE		15,164.00	
02-22110	SALARIES PAYABLE			15,164.00
99-22249	DUE TO UTILITY FUND (02)			15,164.00
Total			30,328.00	30,328.00
Adjusting Journal Entries JE # 5		4910.10 ✓		
To adjust pension activity for the fiscal year ended September 30, 2021.				
02-22211	NET PENSION		29,543.00	
02-36010	DEF. RESOURCE. INFLOW-PENSION		15,064.00	
02-22701	DEFERRED OUTFLOW-PENSION			2,377.00
02-5000-BML	Pension Expense (Utility Fund)			42,230.00
Total			44,607.00	44,607.00
Adjusting Journal Entries JE # 6		4910.30 ✓		
To record current year OPEB activity for the fiscal year.				
02-22702	DEFERRED OUTFLOW-OPEB		3,150.00	
02-36011	DEFERRED INFLOWS-OPEB		1,407.00	
02-5001-BML	OPEB Expense (Utility Fund)		5,558.00	
02-22212	VALIC-457(b) DEFERRED COMP PLA			10,115.00
Total			10,115.00	10,115.00
Adjusting Journal Entries JE # 7		1500.09 ✓		
PBC AJE 18067 - To correct EOY entries for Stonegarden.				
01-540-2204	TRANSFER OUT		9,464.00	
07-10000	CLAIM ON CASH		9,464.00	
07-40129	STONEGARDEN 2020		9,464.00	
01-10000	CLAIM ON CASH			9,464.00
07-13101	A/R STONEGARDEN			9,464.00
07-44085	TRANSFER IN			9,464.00
Total			28,392.00	28,392.00
Adjusting Journal Entries JE # 8		1500.09 ✓		
PBC AJE: 018083- To reverse entry #16255.				
01-540-2204	TRANSFER OUT		275,662.00	
41-22010	DUE TO GENERAL FUND (01)		275,662.00	
01-13100	DUE FROM OTHER FUNDS			275,662.00
41-44075	TRANSFER FROM GENERAL FUND			275,662.00
Total			551,324.00	551,324.00
Adjusting Journal Entries JE # 9		1500.09 ✓		
PBC AJE: 018084 - To reverse journal entry #17122.				
01-13100	DUE FROM OTHER FUNDS		34,500.00	
41-13026	OTHER RECEIVABLES		34,500.00	
41-44075	TRANSFER FROM GENERAL FUND		34,500.00	
01-540-2204	TRANSFER OUT			34,500.00
41-22010	DUE TO GENERAL FUND (01)			34,500.00
41-44030	GRANT (TEXAS PARKS & WILDLIFE			34,500.00
Total			103,500.00	103,500.00

Client: **City of Mercedes**
 Engagement: **City of Mercedes**
 Period Ending: **9/30/2021**
 Workpaper: **Audit Adjustments**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 10		1500.09		
PBC AJE: 18094 - To reverse incorrect journal entry #17881.				
01-13100	DUE FROM OTHER FUNDS		241,162.00	
01-44085	TRANSFER IN		104,288.00	
41-10000	CLAIM ON CASH		345,450.00	
01-10000	CLAIM ON CASH			345,450.00
41-22010	DUE TO GENERAL FUND (01)			241,162.00
41-540-2204	TRANSFER OUT			104,288.00
Total			690,900.00	690,900.00
Adjusting Journal Entries JE # 11		1500.09		
PBC AJE:18101 - To close out Fund 41.				
01-10000	CLAIM ON CASH		138,788.00	
41-44030	GRANT (TEXAS PARKS & WILDLIFE		102,374.00	
41-540-2204	TRANSFER OUT		138,788.00	
01-44085	TRANSFER IN			138,788.00
41-10000	CLAIM ON CASH			104,288.00
41-13026	OTHER RECEIVABLES			34,500.00
41-44075	TRANSFER FROM GENERAL FUND			102,374.00
Total			379,950.00	379,950.00
Adjusting Journal Entries JE # 12		1500.09 ✓		
PBC AJE: 18103 - To close out Fund 41.				
01-22600	DEFERRED REVENUE-AD VALOREM		20,800.00	
15-22600	DEFERRED REVENUES		12,600.00	
01-40025	TAXES-DELINQUENTPROPERTY			20,800.00
15-40025	REVENUE-DELINQUENT			12,600.00
Total			33,400.00	33,400.00
Adjusting Journal Entries JE # 13		1500.09 ✓		
PBC AJE:18111- To close out Fund 41.				
02-14430	WATER WELL		14,029.00	
51-43010	APR REVENUE		1,995,405.00	
02-535-4010	CAPITALOUTLAY			14,029.00
51-22600	Deferred Revenue			1,995,405.00
Total			2,009,434.00	2,009,434.00
Adjusting Journal Entries JE # 14		6000.04 ✓		
PBC AJE#18440 - To adjust sales tax receivable and revenue at year end.				
01-13026	OTHER RECEIVABLES		55,433.00	
01-22595	DUE TO EDC (25)			13,648.00
01-40040	TAXES-GENERALSALES			41,785.00
Total			55,433.00	55,433.00
Adjusting Journal Entries JE # 15		1500.10		
PBC AJE# 18167-18168 - To reverse journal entry #17857 and adjust the Utility accrual for the year				
01-13016	CUSTOMERS ACCOUNTS RECEIVABLE		124,852.00	
02-13016	CUSTOMERS ACCOUNTS RECEIVABLE		314,450.00	
16-40070	TXGROSSRECEIPTS-HOTEL/MOTEL		9,800.00	
01-42060	FIRESERVICEFEES			14,781.00
01-42065	SOLIDWASTECOLLECTIONFEE			91,996.00
01-42070	BRUSHCOLLECTIONFEES			18,075.00
02-42000	WATERSALES			178,726.00
02-42020	SEWERSALES			135,724.00
16-13016	CUSTOMERS ACCOUNTS RECEIVABLE			9,800.00
Total			449,102.00	449,102.00

Client: **City of Mercedes**
 Engagement: **City of Mercedes**
 Period Ending: **9/30/2021**
 Workpaper: **Audit Adjustments**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 16		1500.10		
PBC AJE#18136 - To reverse entry #17892 and post corrected entry for CARES ACT expenditures.				
49-511-1010	FULL-TIME EMPLOYEES		278,232.00	
49-511-1080	OVERTIME		27,898.00	
49-511-1120	SOCIAL SECURITY		23,416.00	
49-44085	TRANSFER IN			329,546.00
Total			329,546.00	329,546.00
Adjusting Journal Entries JE # 17		1500.10 ✓		
PBC AJE #18140 - To reverse entry #17792				
99-20000	DUE TO OTHER FUNDS		282,357.00	
99-10000	CASH - POOLED CASH			282,357.00
Total			282,357.00	282,357.00
Adjusting Journal Entries JE # 18		1500.10 ✓		
PBC AJE#18148 - To reverse entry #17791				
99-20000	DUE TO OTHER FUNDS		3,036.00	
99-10000	CASH - POOLED CASH			3,036.00
Total			3,036.00	3,036.00
Adjusting Journal Entries JE # 19		1500.10 ✓		
PBC AJE#18174 - To post EOY adjustments				
01-14380	INVESTMENT IN FIXED ASSETS		306,167.00	
01-22261	LEASE PAYABLE-CNH		260,787.00	
01-528-4010	CAPITALOUTLAY		52,151.00	
01-534-4010	CAPITAL OUTLAY		15,425.00	
43-511-2010	PD VEHICLES		1,781.00	
43-520-2010	BOYD SUBDIVISION		3,800.00	
49-511-4010	CAPITAL OUTLAY		78,989.00	
01-13146	DUE FROM SERIES 2021			312,938.00
01-14060	MACHINE & EQUIPMENT			306,167.00
01-20001	A/P PENDING ADJUSTMENT			15,425.00
43-44031	MISC REVENUE			5,581.00
49-36000	FUND BALANCE			78,989.00
Total			719,100.00	719,100.00
Adjusting Journal Entries JE # 20		1500.10		
PBC AJE# 18188- To reverse JE#17647.				
99-10000	CASH - POOLED CASH		27.00	
99-10046	DUE FROM EMS (46)			27.00
Total			27.00	27.00
Adjusting Journal Entries JE # 21		1500.11 ✓		
PBC AJE: 18206- To reclass capital outlay				
01-14013	RESOURCES TO BE PROVIDED/LE		230,849.00	
01-14060	MACHINE & EQUIPMENT		307,230.00	
01-528-4010	CAPITALOUTLAY		307,230.00	
01-14380	INVESTMENT IN FIXED ASSETS			307,230.00
01-22261	LEASE PAYABLE-CNH			230,849.00
01-44035	OTHER FINANCE SOURCES			307,230.00
Total			845,309.00	845,309.00
Adjusting Journal Entries JE # 22		1500.11 ✓		
PBC AJE#18246 - To reverse partial J.E. #18232				
99-10000	CASH - POOLED CASH		282,357.00	
99-20000	DUE TO OTHER FUNDS			282,357.00
Total			282,357.00	282,357.00

Client: **City of Mercedes**
 Engagement: **City of Mercedes**
 Period Ending: **9/30/2021**
 Workpaper: **Audit Adjustments**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 23			1500.11	
PBC AJE #18232 - To reverse and correct entries				
01-22220	SALES TAX PAYABLE		47.00	
02-10000	CLAIM ON CASH		3,415.00	
46-10000	CLAIM ON CASH		1,385.00	
99-20000	DUE TO OTHER FUNDS		285,429.00	
01-10000	CLAIM ON CASH			12.00
01-22236	DUE TO GENERAL FUND			35.00
02-20000	A/P PENDING			3,415.00
46-42010	EMSSERVICEFEES			1,385.00
99-10000	CASH - POOLED CASH			285,394.00
99-10046	DUE FROM EMS (46)			35.00
Total			290,276.00	290,276.00
Adjusting Journal Entries JE # 24			1500.11 ✓	
PBC AJE#18209 - To correct JEs				
01-10000	CLAIM ON CASH		124,751.00	
01-13012	TRANSFER OUT		525.00	
01-22220	SALES TAX PAYABLE		181.00	
02-20001	A/P PENDING ADJUSTMENT		143.00	
10-11010	CASH- PD FORFEITURE/CHAPTER 59		7,510.00	
46-20000	A/P PENDING		8,279.00	
46-42010	EMSSERVICEFEES		489.00	
99-10000	CASH - POOLED CASH		22,281.00	
99-10001	DUE FROM GENERAL FUND (01)		90,739.00	
99-29000	ACCOUNTS PAYABLE		4,813.00	
01-13080	DUE FROM EDC (25)			3,662.00
01-20000	A/P PENDING			114,285.00
01-44085	TRANSFER IN			7,510.00
02-10000	CLAIM ON CASH			143.00
10-598-5000	TRANSFER OUT			7,510.00
46-10000	CLAIM ON CASH			8,243.00
46-44085	TRANSFER IN			525.00
99-10046	DUE FROM EMS (46)			8,333.00
99-20000	DUE TO OTHER FUNDS			109,500.00
Total			259,711.00	259,711.00
Adjusting Journal Entries JE # 25			1500.12 ✓	
PBC AJE #18249 - To reverse duplicate entries				
01-10000	CLAIM ON CASH		7.00	
46-42010	EMSSERVICEFEES		2,863.00	
99-20000	DUE TO OTHER FUNDS		2,857.00	
01-540-2144	HCADFEES			7.00
46-10000	CLAIM ON CASH			2,863.00
99-10000	CASH - POOLED CASH			2,857.00
Total			5,727.00	5,727.00
Adjusting Journal Entries JE # 26			1500.12 ✓	
PBC AJE #18250 - To reverse duplicate entries				
46-42010	EMSSERVICEFEES		5,159.00	
99-20000	DUE TO OTHER FUNDS		5,159.00	
46-10000	CLAIM ON CASH			5,159.00
99-10000	CASH - POOLED CASH			5,159.00
Total			10,318.00	10,318.00

Client: **City of Mercedes**
 Engagement: **City of Mercedes**
 Period Ending: **9/30/2021**
 Workpaper: **Audit Adjustments**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 27		1500.12		
PBC AJE#18252 - Reclass TX Parks/Wild Grant				
01-13026	OTHER RECEIVABLES		1,784.00	
41-10000	CLAIM ON CASH		1,784.00	
01-10000	CLAIM ON CASH			1,784.00
41-44030	GRANT (TEXAS PARKS & WILDLIFE)			1,784.00
Total			3,568.00	3,568.00
Adjusting Journal Entries JE # 28		1500.12		
PBC AJE#18259 - To reverse prior entries				
01-13100	DUE FROM OTHER FUNDS		241,162.00	
01-44085	TRANSFER IN		138,788.00	
41-10000	CLAIM ON CASH		104,288.00	
41-13026	OTHER RECEIVABLES		470,675.00	
41-44075	TRANSFER FROM GENERAL FUND		343,536.00	
01-10000	CLAIM ON CASH			138,788.00
01-540-2204	TRANSFER OUT			241,162.00
41-22010	DUE TO GENERAL FUND (01)			241,162.00
41-44030	GRANT (TEXAS PARKS & WILDLIFE)			538,549.00
41-540-2204	TRANSFER OUT			138,788.00
Total			1,298,449.00	1,298,449.00
Adjusting Journal Entries JE # 29		1500.12 ✓		
PBC AJE#18268: Entry Reversal				
99-25000	WAGES PAYABLE		251.00	
99-10000	CASH - POOLED CASH			251.00
Total			251.00	251.00
Adjusting Journal Entries JE # 30		1500.12		
PBC AJE#18264 - To record EMS receivable				
46-13016	ACCOUNTS RECEIVABLE		402,475.00	
46-540-2020	BAD DEBT EXPENSE		160,990.00	
46-13017	ALLOWANCE FOR DOUBTFUL ACCOUNT			160,990.00
46-22600	DEFERRED REVENUE			216,943.00
46-42010	EMSSERVICEFEES			185,532.00
Total			563,465.00	563,465.00
Adjusting Journal Entries JE # 31		1500.12 ✓		
PBC AJE#18274, 18275, & 18276 - To reverse journal entries				
01-524-1140	UNEMPLOYMENTCOMP		2,155.00	
01-522-1140	UNEMPLOYMENTCOMP			2,155.00
Total			2,155.00	2,155.00
Adjusting Journal Entries JE # 32		1500.13		
PBC AJE#18293 - Entry Correction				
02-530-2557	SYSTEMIMPROVEMENTS		12,469.00	
43-22010	DUE TO GENERAL FUND (01)		12,469.00	
02-535-2557	SYSTEMIMPROVEMENTS			12,469.00
43-22011	DUE TO UTILITY FUND (02)			12,469.00
Total			24,938.00	24,938.00
Adjusting Journal Entries JE # 33		1500.13 ✓		
PBC AJE #18294- Entry Correction				
05-22012	DUE TO HOTEL/MOTEL		186.00	
16-11010	CASH - HOTEL/MOTEL OCCUPANCY		372.00	
05-11010	CASH - LIBRARY			186.00
16-13070	DUE FROM GENERAL FUND (01)			372.00
Total			558.00	558.00

Client: **City of Mercedes**
 Engagement: **City of Mercedes**
 Period Ending: **9/30/2021**
 Workpaper: **Audit Adjustments**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 34		1500.13 ✓		
PBC AJE #18300 - To reverse entry #17816				
01-20000	A/P PENDING		45,628.00	
01-20001	A/P PENDING ADJUSTMENT			45,628.00
Total			45,628.00	45,628.00
Adjusting Journal Entries JE # 35		1500.13 ✓		
PBC AJE #18302 - Entry correction #017067				
05-22001	DUE TO GENERAL FUND		17.00	
99-10000	CASH - POOLED CASH		17.00	
05-11010	CASH - LIBRARY			17.00
99-20000	DUE TO OTHER FUNDS			17.00
Total			34.00	34.00
Adjusting Journal Entries JE # 36		1500.13 ✓		
PBC AJE #18298, 18306, 18307 - Entry Correction				
01-519-3026	IT-PWADMIN		4,110.00	
01-519-3040	IT-NONDEPT		3,283.00	
01-522-3085	UNIFORMS		2,478.00	
01-532-2563	VEHICLES-POLICEDEPT		282.00	
01-20001	A/P PENDING ADJUSTMENT			10,153.00
Total			10,153.00	10,153.00
Adjusting Journal Entries JE # 37		1500.13		
PBC AJE #18311 - To reverse duplicate entry				
03-22210	DUE TO GENERAL FUND (01)		3,826.00	
99-10000	CASH - POOLED CASH		3,826.00	
03-11010	CASH - MUNICIPAL COURT			3,826.00
99-20000	DUE TO OTHER FUNDS			3,826.00
Total			7,652.00	7,652.00
Adjusting Journal Entries JE # 38		1500.13 ✓		
PBC AJE #18330 - Library repairs roof & light				
01-14370	IMPROVEMENTS OTHER THEN BLDGS		59,897.00	
01-530-4010	CAPITAL OUTLAY		59,897.00	
01-14371	ACCUMULATED DEPRECIATION			1,513.00
01-14380	INVESTMENT IN FIXED ASSETS			58,384.00
01-530-2505	BUILDING			59,897.00
Total			119,794.00	119,794.00
Adjusting Journal Entries JE # 39		1500.14 ✓		
PBC AJE #18312 - To reclass wages from fund 99				
01-10000	CLAIM ON CASH		180,622.00	
02-10000	CLAIM ON CASH		15,164.00	
07-10000	CLAIM ON CASH		1,869.00	
46-10000	CLAIM ON CASH		2,919.00	
99-22249	DUE TO UTILITY FUND (02)		15,164.00	
99-25000	WAGES PAYABLE		327,244.00	
01-22110	SALARIES PAYABLE			180,622.00
02-13070	DUE FROM GENERAL FUND (01)			15,164.00
07-22110	SALARIES PAYABLE			1,869.00
46-22110	SALARIES PAYABLE			2,919.00
99-20000	DUE TO OTHER FUNDS			342,408.00
Total			542,982.00	542,982.00

Client: **City of Mercedes**
 Engagement: **City of Mercedes**
 Period Ending: **9/30/2021**
 Workpaper: **Audit Adjustments**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 40		1500.14		
PBC AJE #18314 - To close out Fund 41				
01-10000	CLAIM ON CASH		106,072.00	
01-36000	APPROPRIATED FUND BALANCE		135,090.00	
41-22010	DUE TO GENERAL FUND (01)		241,162.00	
41-44030	GRANT (TEXAS PARKS & WILDLIFE		335,585.00	
01-13100	DUE FROM OTHER FUNDS			241,162.00
41-10000	CLAIM ON CASH			106,072.00
41-13026	OTHER RECEIVABLES			470,675.00
Total			817,909.00	817,909.00
Adjusting Journal Entries JE # 41		1500.14 ✓		
PBC AJE #18315 - Recognize invoice prior year				
43-531-2050	RAILROAD STREET PAVING		34,319.00	
43-20000	A/P PENDING			34,319.00
Total			34,319.00	34,319.00
Adjusting Journal Entries JE # 42		1500.14 ✓		
PBC AJE #18318 - Correct entry #18312				
46-22110	SALARIES PAYABLE		1,203.00	
99-20000	DUE TO OTHER FUNDS		140,802.00	
46-10000	CLAIM ON CASH			1,203.00
99-25000	WAGES PAYABLE			140,802.00
Total			142,005.00	142,005.00
Adjusting Journal Entries JE # 43		1500.14 ✓		
PBC AJE #18347 - Fix assets, CIP & Safer Grant				
01-13026	OTHER RECEIVABLES		185,314.00	
01-14060	MACHINE & EQUIPMENT		7,426.00	
01-14363	CONSTRUCTION IN PROGRESS		28,000.00	
01-14380	INVESTMENT IN FIXED ASSETS		154,792.00	
01-14363	CONSTRUCTION IN PROGRESS			154,792.00
01-14380	INVESTMENT IN FIXED ASSETS			7,426.00
01-14380	INVESTMENT IN FIXED ASSETS			28,000.00
01-43183	SAFERGRANT-FIRE			185,314.00
Total			375,532.00	375,532.00
Adjusting Journal Entries JE # 44		1500.14 ✓		
PBC AJE #18354 - Road Replanking				
01-14370	IMPROVEMENTS OTHER THEN BLDGS		34,319.00	
01-14380	INVESTMENT IN FIXED ASSETS			34,319.00
Total			34,319.00	34,319.00
Adjusting Journal Entries JE # 45		1500.14		
PBC AJE #18362- Fixed Assets, CIP & SAFER Grant				
30-36010	UNAVAILABLE REVENUE		301,116.00	
46-13016	ACCOUNTS RECEIVABLE		146,192.00	
46-22600	DEFERRED REVENUE		4,679.00	
46-540-2020	BAD DEBT EXPENSE		58,476.00	
30-11016	ALLOWANCE FOR DOUBTFUL ACCOUNT			301,116.00
46-13017	ALLOWANCE FOR DOUBTFUL ACCOUNT			58,476.00
46-42010	EMSSERVICEFEES			150,871.00
Total			510,463.00	510,463.00

Client: **City of Mercedes**
 Engagement: **City of Mercedes**
 Period Ending: **9/30/2021**
 Workpaper: **Audit Adjustments**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 46		1500.14		
PBC AJE# 18303 - Entry Correction				
05-11010	CASH - LIBRARY		186.00	
16-13070	DUE FROM GENERAL FUND (01)		186.00	
05-22012	DUE TO HOTEL/MOTEL			186.00
16-13071	DUE FROM LIBRARY (05)			186.00
Total			372.00	372.00
Adjusting Journal Entries JE # 47		1500.14 ✓		
PBC AJE#18366 - To accrue prior year invoices				
01-540-2042	CONT'LSVCS-HUMANESOC		6,390.00	
01-540-2044	CONTRACTUALSERVICE		108,125.00	
01-540-2075	ENGINEERINGFEES		12,460.00	
01-540-2147	TAXCOLLFEES-DELINQ TAXATTNY		40,537.00	
02-535-2181	LIFTSTATIONSCADA		33,959.00	
02-535-2195	WATERPURCHASES		5,372.00	
43-20000	A/P PENDING		34,319.00	
53-510-2120	ENGINEERING		30,000.00	
01-20001	A/P PENDING ADJUSTMENT			167,512.00
02-20001	A/P PENDING ADJUSTMENT			39,331.00
43-20001	A/P PENDING ADJUSTMENTS			34,319.00
53-20001	AP PENDING ADJUSTMENT			30,000.00
Total			271,162.00	271,162.00
Adjusting Journal Entries JE # 48		1500.14 ✓		
PBC AJE #18426 - To record expenditure and A/P for cutoff				
01-540-2075	ENGINEERINGFEES		41,742.00	
01-20001	A/P PENDING ADJUSTMENT			41,742.00
Total			41,742.00	41,742.00
Adjusting Journal Entries JE # 49		1500.15 ✓		
PBC AJE#18490 - To accrue hotel/motel receivable				
16-13016	CUSTOMERS ACCOUNTS RECEIVABLE		9,800.00	
16-40070	TXGROSSRECEIPTS-HOTEL/MOTEL			9,800.00
Total			9,800.00	9,800.00
Adjusting Journal Entries JE # 50		1500.15		
PBC AJE #18251 - To reverse journal entries				
01-10000	CLAIM ON CASH		6,717.00	
99-10000	CASH - POOLED CASH		6,717.00	
01-20001	A/P PENDING ADJUSTMENT			6,717.00
99-20000	DUE TO OTHER FUNDS			6,717.00
Total			13,434.00	13,434.00
Adjusting Journal Entries JE # 51		1500.15		
PBC AJE #18245 - To reverse JE#17581				
01-10000	CLAIM ON CASH		8,245.00	
02-10000	CLAIM ON CASH		704.00	
99-10000	CASH - POOLED CASH		8,950.00	
01-522-1140	UNEMPLOYMENTCOMP			2,367.00
01-524-1140	UNEMPLOYMENTCOMP			3,861.00
01-526-1140	UNEMPLOYMENTCOMP.			15.00
01-528-1140	UNEMPLOYMENTCOMP			147.00
01-534-1140	UNEMPLOYMENTCOMP			1,401.00
01-536-1140	UNEMPLOYMENTCOMP			20.00
01-539-1140	UNEMPLOYMENTCOMP			435.00
02-530-1140	UNEMPLOYMENTCOMP			704.00
99-20000	DUE TO OTHER FUNDS			8,949.00
Total			17,899.00	17,899.00

Client: **City of Mercedes**
 Engagement: **City of Mercedes**
 Period Ending: **9/30/2021**
 Workpaper: **Audit Adjustments**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 52		1500.15		
PBC AJE # 18228, 18229, 18230, 18231 - To reverse journal entries				
01-525-3025	FUEL & OIL		1,005.00	
46-44085	TRANSFER IN		1,005.00	
01-13012	TRANSFER OUT			1,005.00
46-510-3025	FUEL/DIESEL			1,005.00
Total			2,010.00	2,010.00
Adjusting Journal Entries JE # 53		1500.15		
PBC AJE #18222 and 18223 - To reverse JE #17676				
46-20000	A/P PENDING		35.00	
99-20000	DUE TO OTHER FUNDS		35.00	
46-10000	CLAIM ON CASH			35.00
99-10046	DUE FROM EMS (46)			35.00
Total			70.00	70.00
Adjusting Journal Entries JE # 54		1500.15		
PBC AJE#18384 - To correct the allocation of property taxes receivables between M&O and I&S.				
01-22600	DEFERRED REVENUE-AD VALOREM		38,389.00	
15-13018	PROPERTY TAXES RECEIVABLE		38,389.00	
01-13018	DELINQ PROPERTY TAX RECEIVABLE			38,389.00
15-22600	DEFERRED REVENUES			38,389.00
Total			76,778.00	76,778.00
Adjusting Journal Entries JE # 55		1500.15		
PBC AJE#18383 - The following entry is posted to reflect the amounts borrowed by the Utility Fund from the General Fund and to clear the cash deficit in the pooled cash in the Utility Fund.				
01-13085	DUE FROM UTILITY FUND (02)		3,418,764.00	
02-10000	CLAIM ON CASH		3,418,764.00	
01-10000	CLAIM ON CASH			3,418,764.00
02-22010	DUE TO GENERAL FUND (01)			3,418,764.00
Total			6,837,528.00	6,837,528.00
Adjusting Journal Entries JE # 56		3200.05 ✓		
PBC AJE #18449 - To adjust current year depreciation expense for the utility fund.				
02-14580	ACCUM DEPREC-MACH AND EQUIP		87,041.00	
02-545-6001	DEPERCIATIONEXPENSEWATER			16,369.00
02-545-6002	DEPRECIATIONEXPENSESEWER			70,672.00
Total			87,041.00	87,041.00
Adjusting Journal Entries JE # 57		3200.05 ✓		
PBC AJE#18449 - To record prior period adjustment for errors noted in depreciation schedule.				
02-36060	PRIOR YEAR ADJUSTMENT		1,990,787.00	
02-14580	ACCUM DEPREC-MACH AND EQUIP			1,990,787.00
Total			1,990,787.00	1,990,787.00
Adjusting Journal Entries JE # 58		1500.16 ✓		
PBC AJE - Provided via email.				
02-14580	COLLECTION SYSTEM - SEWER		256,060.00	
02-545-6002	DEPRECIATIONEXPENSESEWER		3,409.00	
43-540-2204	TRANSFER OUT		256,060.00	
02-14580	ACCUM DEPREC-MACH AND EQUIP			3,409.00
02-44085	TRANSFER IN			256,060.00
43-520-2030	MISSOURI & 6TH ST			49,860.00
43-520-2040	CINDY LN & NEVADA AVE.			206,200.00
Total			515,529.00	515,529.00

Client: **City of Mercedes**
 Engagement: **City of Mercedes**
 Period Ending: **9/30/2021**
 Workpaper: **Audit Adjustments**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 59		4800.12		
To reclassify payments made on the capital leases from capital outlay to principal and interest				
01-22261	LEASE PAYABLE-CNH		76,381.00	
01-540-6015-BML	PRINCIPAL ON CAPITAL LEASES		76,381.00	
01-540-6025-BML	INTEREST ON CAPITAL LEASES		1,846.00	
01-14013	RESOURCES TO BE PROVIDED/LE			76,381.00
01-528-4010	CAPITALOUTLAY			78,227.00
Total			154,608.00	154,608.00
Adjusting Journal Entries JE # 60				
Adjustments related to capital assets for certain capital outlays that had not been capitalized.				
01-14060	MACHINE & EQUIPMENT		33,084.00	
01-14085	INFRASTRUCTURE		25,150.00	
01-14380	INVESTMENT IN FIXED ASSETS		1,654.00	
01-14380	INVESTMENT IN FIXED ASSETS		157.00	
01-14371	ACCUMULATED DEPRECIATION			1,654.00
01-14371	ACCUMULATED DEPRECIATION			157.00
01-14380	INVESTMENT IN FIXED ASSETS			33,084.00
01-14380	INVESTMENT IN FIXED ASSETS			25,150.00
Total			60,045.00	60,045.00
Adjusting Journal Entries JE # 61		4800.07		
For Financial Statement Presentation Purposes - To reclassify the current portion of long term debt.				
02-ContraCurrentBonds	Contra Account Current Portion Bonds		623,700.00	
02-CurrentBondsUtilityfund	Current Portion of Bonds Payable - Utility fund			623,700.00
Total			623,700.00	623,700.00
Adjusting Journal Entries JE # 62		3200.033		
To update accumulated depreciation.				
02-545-6001	DEPERCIATIONEXPENSEWATER		913.00	
02-14580	ACCUM DEPREC-MACH AND EQUIP			913.00
Total			913.00	913.00
Adjusting Journal Entries JE # 63				
To make due to and due from other funds tie.				
16-13071	DUE FROM LIBRARY (05)		372.00	
16-44030	MISC REVENUE			372.00
Total			372.00	372.00

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McCumber
& Longoria, LLP
CPAs & Advisors

June 20, 2022

To the Honorable Mayor
City Commission and City Manager
Mercedes, Texas

In planning and performing our audit of the financial statements of the City of Mercedes, Texas (the "City") as of and for the year ended September 30, 2021, 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 opinions 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.

However, during our audit we became aware of several immaterial matters that are opportunities for strengthening internal controls and operating efficiency. The attachment that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated June 20, 2022 issued in accordance with Government Auditing Standards, issued by the Comptroller General of the United States. In addition, this letter does not affect our report dated June 20, 2022, on the basic financial statements of the City.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

Burton McCumber & Longoria, LLP

1. Bank Reconciliations

The bank reconciliation for the pooled cash account included a cash disbursement listed as being outstanding totaling \$42,907.06 at September 30, 2021. Management indicated the transaction had cleared on September 17, 2021. It is unclear why the transaction is listed as being outstanding if it cleared prior to fiscal year end.

Management Response

The transactions for payroll were not posted in the month of September and the system automatically combined the payroll payables with October. For payroll only one batch can be opened at a time and since the batch was unposted the system automatically combined both September and October. Since payroll had already been processed for September, we were not able to go back and rerun the batch and therefore the transactions posted in October, but they cleared the bank in September, since these are transactions that are drafted straight from the operating account the transaction cleared the bank in September.

2. Old Outstanding Transactions

The bank reconciliation for the pooled cash account includes 110 checks that have been outstanding for more than on year. The oldest of these checks has remained outstanding since June 22, 2017. The City should closely monitor outstanding items and take action to dispose of old uncleared transactions.

Management Response

We are already working on clearing all old transactions from all Bank reconciliations. We are also working on reporting any checks outstanding to the state as unclaimed property for FY21-22.

3. Bank Reconciliation Mercedes Industrial Foundation

The bank reconciliation for the Mercedes Industrial Foundation was not signed and dated by neither the individual who prepared the reconciliation nor by the person reviewing and approving it. We recommend bank reconciliations be signed and dated by both the preparer and the reviewer to ensure the occurrence of the control in place is documented.

Management Response

In reviewing the bank reconciliations for last fiscal year, all of the reconciliations were signed by the person approving the reconciliation. There was one that was not signed by the preparer and there were a couple that were not dated.

4. Compensated Absences

The City's policy says that annual leave may be accumulated up to a maximum of 18 days at the end of the fiscal year. Annual leave in excess of the 18 days (144 hours) shall be forfeited unless an exception is approved by the City Manager. We reviewed the compensated absences schedule as of September 30, 2021 and noted two employees who had over 144 hours of accrued vacation and were not approved by the City Manager. For context, one employee had 160.75 hours and the other had 152 hours of accrued vacation.

Management Response

One of the employees mentioned took vacation leave, but the hours were not posted until the next pay period, after the 09/30/2021. HR will make sure policy is followed regarding vacation balances and will inform Finance of any leave taken prior to 09/30, so that it can be accrued to the current fiscal year it is taken. They will also ensure that approvals are requested for any rollforwards in vacation time.

5. Schedule of Expenditures of Federal Awards

The Finance Director is the only individual within the City who is trained on how to prepare the Schedule of Expenditures of Federal Awards (SEFA). There is no review and approval process in place to ensure completeness and accuracy of the schedule. The City should cross train within the Finance Department on the preparation of the SEFA and implement checks and balances by having an individual other than the preparer review the SEFA. The review of the SEFA should include verifying assistance listing numbers, federal program titles, grant numbers and federal awards expended by reconciling those balances to the general ledger. The review and approval process should be documented by having both the preparer and reviewer sign the SEFA.

Management Response

Finance Director will be training the Chief Accountant on the process of preparing this schedule.

6. Pension and OPEB Balances

The City participates in pension and other post-employment benefit (OPEB) plans with TMRS. The city did not post the necessary adjustment to reflect the liabilities, deferred inflows of resources and deferred outflows of resources as of September 30, 2021. As part of the City's fiscal year-end closing process, we recommend the City utilize the pension and OPEB actuarial report and post the necessary adjustments to properly reflect the respective liabilities, deferred inflows or resources and deferred outflows of resources.

Management Response

Finance Director will work on this schedule and train the Chief Accountant so that there is a review process in place.

7. Disaster Recovery Plan

The City does not have a formal disaster recovery plan for IT systems. We recommend the City implement a formal written disaster recovery plan as it relates to IT. The plan should identify the individuals responsible for bringing systems back on-line and should establish roles and responsibilities for doing so. The objective of a disaster recovery plan is to prevent data loss in the event of a disaster or cyber attack as well as to minimize the time systems are down so that City operations can continue. The disaster recovery plan should be tested periodically to ensure the plans effectiveness.

Management Response

IT and department heads are working on a recovery plan for IT systems. Currently some of the systems are migrating to cloud hosting. IT is also working on a written plan for all of IT.

8. Capital Assets and Long-Term Debt in the General Fund

The City's general fund (fund 01) includes certain items such as capital assets and long-term debt that should only be reported in the government-wide financial statements. We recommend the City consider removing capital assets and long-term debt out of the general fund so that only items that should be reported at the governmental fund level are reported. We also recommend the City consider creating a fund specifically for tracking capital assets and another for tracking long-term debt. The entries would be the same only they would not be included within the general fund.

Management Response

An inventory was conducted of all assets about two years ago and all items in the schedule were still in use. We are a small government and we have limited funds and limited funding opportunities to replace operating equipment. We have slowly started replacing old equipment this fiscal year 2021-2022.