

March 25, 2020

To the Members of the City Council
and City Manager
City of Keller, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Keller, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise City of Keller's basic financial statements, and have issued our report thereon dated March 25, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Keller's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Keller's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Keller's internal control.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described below, that we consider to be a material weaknesses, listed as finding 2019-001.

Finding 2019-001 Improve Closing Procedures

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Criteria: Financial closing policies and procedures should be designed and implemented such that the final balances are recorded in accordance with generally accepted accounting principles (GAAP), amounts reconcile and are audit-ready.

Condition and Context: During the fiscal year 2019 audit, closing procedures were not properly performed and balances were not properly reconciled prior to the start of fieldwork, resulting in additional time to complete the audit.

During the current year audit, we noted the following;

- Beginning fund balance/net position did not reconcile to the prior year ending balances in all funds requiring additional procedures to be performed in order to reconcile the variances.
- Cash and investment balances were not properly reconciled requiring additional procedures to be performed in order to determine the nature and amounts of the reconciling items.
- Capital asset balances did not roll-forward from the prior year balances and approximately \$304,000 of additions were not properly capitalized.

Cause: The condition described above was caused by insufficient closing policies and procedures and the potential need for additional staff training.

Effect: As a result of the errors discovered during the audit, material adjusting journal entries were proposed to and recorded by management to correct the balances/activity.

Recommendation: The City should improve its policies and procedures over financial closing and / or provide staff with additional training to help ensure that general ledger balances are properly and timely reconciled and recorded in accordance with GAAP. This will help ensure the accuracy of the financial information reported by the City.

Management's Response: Management concurs with the finding. Management will provide adequate training to staff related to closing procedures and will ensure fund balances, assets, and cash/investments are balanced and posted in a timely manner.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Keller's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The City's Response to Findings

The City's response to the findings identified in our audit are described previously. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The Members of the City Council
and City Manager
City of Keller
March 25, 2020

Page 3

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.