

RESOLUTION NO. 2025 – 03 – 04

**A RESOLUTION BY THE CITY COUNCIL OF THE CITY OF
COMMERCE, TEXAS APPROVING AN ENGAGEMENT LETTER
WITH BROOKS WATSON & CO. CPA TO PROVIDE AUDIT
SERVICES TO THE CITY FOR THE PERIOD ENDING SEPTEMBER
30, 2024, AND AUTHORIZING THE MAYOR OR HIS DESIGNEE TO
EXECUTE DOCUMENTATION RELATED TO THIS AGREEMENT.**

WHEREAS, the City of Commerce previously contracted with Scott, Singleton, Fincher & Company, P.C. to conduct an annual independent audit of the City's financial statements and related documents through the end of Fiscal Year 2024 and that agreement has been terminated;

WHEREAS, Texas Local Government Code § 103.001 (a) requires that municipalities have their records and accounts audited annually and shall have an annual financial statement prepared based on the audit; and

WHEREAS, Brooks Watson & Co. CPA has offered to provide audit services as defined in the engagement letter attached hereto in EXHIBIT A, under the terms and conditions specified therein; and

AND WHEREAS, City staff recommends the City Council authorize engagement with Brooks Watson & Co. CPA to provide the City's audit services for Fiscal Year 2024.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF COMMERCE, TEXAS THAT: The City Council approves the Agreement with Brooks Watson & Co. CPA as shown in EXHIBIT A attached and that the Mayor is authorized on behalf of the City to execute the Agreement in EXHIBIT A which is incorporated herein for all purposes and defines the terms and conditions under which Brooks Watson & Co. CPA shall provide said services as stipulated in the Agreement.

PASSED BY THE GOVERNING BODY of the City of Commerce, Texas, at a regular meeting of the City Council of Commerce, Texas, on the 18th day of March 2025.

ATTEST:

CITY OF COMMERCE



Molly Jacobsen, City Secretary



Teddy Reel, Mayor

(Seal)

APPROVED AS TO FORM:



Cynthia Kirchoff, City Attorney

I, Molly Jacobsen, City Secretary of the City of Commerce, Texas, do hereby certify that the above is a true and correct copy of a resolution, and that the same has not been repealed and is in full force and effect.

(Seal)



Molly Jacobsen, City Secretary
City of Commerce



BROOKSWATSON & CO.
CERTIFIED PUBLIC ACCOUNTANTS

March 13, 2025

City of Commerce, Texas
1119 Alamo Street
Commerce, TX 75428

Dear City of Commerce,

The following represents our understanding of the services we will provide the City of Commerce, Texas.

You have requested that we audit the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Commerce, as of September 30, 2024, and for the year then ended and the related notes to the financial statements, which collectively comprise the City of Commerce's basic financial statements as listed in the table of contents. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on each opinion unit.

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America (GAAS) will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Accounting principles generally accepted in the United States of America, (U.S. GAAP,) as promulgated by the Governmental Accounting Standards Board (GASB) require that management's discussion and analysis, pension information, and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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 required supplementary information (RSI) in accordance with auditing standards generally accepted in the

United States of America, (U.S. GAAS). These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by U.S. GAAP. This RSI will be subjected to certain limited procedures but will not be audited:

- 1) Management's discussion and analysis
- 2) Budgetary Comparison Information
- 3) Pension and OPEB schedules

Supplementary information other than RSI will accompany the City of Commerce's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and perform certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. We intend to provide an opinion on the following supplementary information in relation to the financial statements as a whole:

- 1) Individual nonmajor fund financial statements and schedules
- 2) Combining statements

Auditor Responsibilities

We will conduct our audit in accordance with GAAS. As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Commerce's ability to continue as a going concern for a reasonable period of time.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS.

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any other periods.

Compliance with Laws and Regulations

As previously discussed, as part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we will perform tests of the City of Commerce's compliance with the 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. We will report to management any non-compliance with laws and regulations identified in the audit process.

Management Responsibilities

Our audit will be conducted on the basis that management and, when appropriate, those charged with governance acknowledge and understand that they have responsibility:

- a. For the preparation and fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America;
- b. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements; and
- c. To provide us with:
 - i. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the basic financial statements such as records, documentation, and other matters;

- ii. Additional information that we may request from management for the purpose of the audit;
- iii. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.
- d. For including the auditor's report in any document containing basic financial statements that indicates that such basic financial statements have been audited by us;
- e. For identifying and ensuring that the entity complies with the laws and regulations applicable to its activities;
- f. For adjusting the basic 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 current year period(s) under audit are immaterial, both individually and in the aggregate, to the basic financial statements as a whole; and
- g. For acceptance of nonattest services, including identifying the proper party to oversee nonattest work;
- h. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets;
- i. For informing us of any known or suspected fraud affecting the entity involving management, employees with significant role in internal control and others where fraud could have a material effect on the financials; and
- j. For the accuracy and completeness of all information provided.

With regard to the supplementary information referred to above, you acknowledge and understand your responsibility: (a) for the preparation of the supplementary information in accordance with the applicable criteria; (b) to provide us with the appropriate written representations regarding supplementary information; (c) to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information; and (d) to present the supplementary information with the audited basic financial statements, or if the supplementary information will not be presented with the audited basic financial statements, to make the audited basic financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and our report thereon.

As part of our audit process, we will request from management and, when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit.

Nonattest Services

With respect to any nonattest services we perform, such as the preparation of financial statements, we will not assume management responsibilities on behalf of the City of Commerce, Texas. However, we will provide advice and recommendations to assist management of the City of Commerce, Texas in performing its responsibilities.

The City of Commerce's management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

Our responsibilities and limitations of the nonattest services are as follows:

- We will perform the services in accordance with applicable professional standards.
- The nonattest services are limited to the preparation of financial statements, previously outlined. Our firm, in its sole professional judgment, reserves the right to refuse to do any procedure or take any action that could be construed as making management decisions or assuming management responsibilities, including determining account coding and approving journal entries.

Reporting

We will issue a written report upon completion of our audit of the City of Commerce's basic financial statements. Our report will be addressed to the governing body of the City of Commerce. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s) to our auditor's report, or if necessary, withdraw from the engagement. If our opinions on the basic 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 to issue a report as a result of this engagement.

Other

We understand that your employees will prepare all confirmations we request and will locate any documents or support for any other transactions we select for testing.

If you intend to publish or otherwise reproduce only a portion of the audited financial statements or include the complete report within a larger document, and make reference to our firm, you agree to provide us with a copy for review before disbursement.

Regarding the electronic dissemination of audited financial statements, including financial statements published electronically on your Internet 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.

Professional standards prohibit us from being the sole host and/or the sole storage for your financial and non-financial data. As such, it is your responsibility to maintain your original data and records and we cannot be responsible to maintain such original information. By signing this engagement letter, you affirm that you have all the data and records required to make your books and records complete.

Provisions of Engagement Administration, Timing and Fees

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

The timing of our audit will be scheduled for performance and completion as follows:

	Begin	Complete
Document internal control and preliminary tests	3/21/25	4/11/25
Mail confirmations	3/21/25	3/21/25
Completion of audit fieldwork and proposed adjusting entries to City	4/11/25	4/30/25
Final Presentation to City Council	n/a	May 2025

Jon Watson, CPA is the engagement partner for the audit services specified in this letter. His responsibilities include supervising BrooksWatson & Co., PLLC's services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

Our fees for the financial statement audit are all inclusive as follows:

Fiscal Year	City	EDC	Total
2024	\$38,500	\$5,500	\$44,000

We will notify you immediately of any circumstances we encounter that could significantly affect this initial fee estimate. Whenever possible, we will attempt to use the City's personnel to assist in the preparation of schedules and analyses of accounts. This effort could substantially reduce our time requirements and facilitate the timely conclusion of the audit.

The invoice shall be rendered monthly based upon actual hours billed during the invoice period. We will notify you immediately of any circumstances we encounter that could significantly affect this initial fee estimate. In addition, we will work with you to identify any federal awards that might meet the criteria for an (OMB) Uniform Guidance audit. We estimate that our supplemental fee for the single audit will be \$6,500 for the single audit procedures including the audit of one major program (>\$750,000 in federal grant expenditures).

Our fee estimate above is based upon anticipated cooperation from you and your personnel in furnishing us with requested information and documents and preparing confirmations and requested schedules, all of which will be detailed in a document request list that we will provide and review with you. We will schedule the engagement based in part on deadlines, working conditions, and the availability of your key personnel. We will plan the engagement based on the assumption that your personnel will cooperate and provide assistance by performing tasks such as preparing requested schedules, retrieving supporting documents, and preparing confirmations. If, for whatever reason, your personnel are unavailable to provide the necessary assistance in a timely manner, it will substantially increase the work we have to do to complete the engagement within the established deadlines, resulting in an increase in fees over our original fee estimate. All audit schedules must be complete before we begin fieldwork.

Additional terms and conditions with respect to the audit engagement are as follows:

- a. The books are maintained in accordance with generally accepted accounting principles, using the modified accrual basis of accounting.
- b. All questionnaires and schedules need to be prepared two weeks before the start date of preliminary fieldwork.

- c. All bank accounts have been reconciled.
- d. The accounts receivable aging is completed and reconciled to the general ledger as of fiscal year end and reflects only the specific uncollected invoices.
- e. The fixed asset and depreciation subsidiary ledgers are completed and reconciled to the general ledger as of fiscal year end.
- f. The accounts payable aging is completed and reconciled to general ledger as of fiscal year end.
- g. Beginning net position/fund balance agrees to the prior year report.

These are the minimum items we must have at least one week prior to the beginning of the audit. Should this not be the case, we will request that your personnel complete all schedules and bring the necessary accounts into such order. Alternatively, at your request, we can provide the personnel to perform such tasks; however, since these tasks are beyond the scope of our audit, we will bill you for such additional work at our standard hourly rates, which range from \$95 to \$350.

Other Matters

During the course of the audit we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

We agree to retain our audit documentation or work papers for a period of at least five years from the date of our report.

At the conclusion of our audit engagement, we will communicate to those charged with governance the following significant findings from the audit:

- Our view about the qualitative aspects of the entity's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any;
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management; and
- Recommendations regarding internal controls.

The audit documentation for this engagement is the property of BrooksWatson & Co., PLLC and constitutes confidential information. However, we may be requested to make certain audit documentation available to certain regulators and federal agencies and the U.S. Government Accountability Office pursuant to authority given to it by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of BrooksWatson & Co., PLLC's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to these agencies and regulators. The regulators and agencies may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the basic financial statements including our respective responsibilities.

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We appreciate the opportunity to be your financial statement auditors and look forward to working with you and your staff.

Respectfully,

Brooks Watson & Co.

Brooks Watson & Co., PLLC
14950 Heathrow Forest Pkwy | Ste 530
Houston, TX 77032

RESPONSE:

This letter correctly sets forth our understanding.

The City of Commerce, Texas

Acknowledged and agreed on behalf of City of Commerce by:

Management

Name: Howdy Lisenbee 

Title: City Manager

Date: 03/18/2025

Mayor or Council Representative

Name: Stephanie Muller / Stephanie Muller

Title: City Council Pro-Tem / Mayor pro Tempore

Date: 3/18/2025