

September 2, 2025

The Honorable Mayor and Members of the City Council
City of Iowa Colony, Texas

This letter is provided in connection with our engagement to audit the financial statements and to audit compliance over major federal award programs of City of Iowa Colony, Texas (the "City") as of and for the year ended September 30, 2025. Professional standards require that we communicate with you certain items including our responsibilities with regard to the financial statement audit, the compliance audit, and the planned scope and timing of our audits, including significant risks we have identified.

Our Responsibilities

As stated in our engagement letter dated September 2, 2025, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS), *Government Auditing Standards* of the Comptroller General of the United States of America, the requirements of the Single Audit Act, as amended, and the provisions of the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), for the purpose of forming and expressing opinions on the financial statements, and on major federal award program compliance. Our audit does not relieve you or management of your respective responsibilities.

Our responsibility as it relates to the required supplementary information (RSI) is to perform limited procedures consisting 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 will be subjected to certain limited procedures but will not be audited:

- 1) Management's Discussion and Analysis,
- 2) General Fund Budgetary Comparison Schedule
- 3) Pension Information

Our responsibility as it relates to the supplementary information is to evaluate its presentation for the purpose of forming and expressing an opinion as to whether the information is fairly stated in all material respects in relation to the financial statements as a whole. We intend to provide an opinion on the following supplementary information in relation to the financial statements as a whole:

- 1) Combining and Individual Fund Financial Statements and Schedules, and
- 2) Schedule of Expenditures of Federal Awards.

Our responsibility relating to other information, whether financial or nonfinancial information (other than financial statements and the auditor's report thereon), included in the City's annual report includes only the information identified in our report. We require that we receive the final version of the annual report (including all the documents that, together, comprise the annual report) in a timely manner prior to the date of the auditor's report, or if that is not possible, as soon as practicable and, in any case, prior to the City's issuance of such information.

Planned Scope of the Audit

Our audit will include 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. Our audit procedures will also include determining major federal programs and performing the applicable procedures described in the U.S. Office of Management and Budget *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each major federal program. Our audit is designed to provide reasonable, but not absolute, assurance about whether the financial statements as a whole are free of material misstatement, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations. Because of this concept of reasonable assurance and because we will not examine all transactions, there is a risk that material misstatements or material noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. GAAS, *Government Auditing Standards* of the Comptroller General of the United States of America, the requirements of the Single Audit Act, as amended, and the provisions of the Uniform Guidance.

Our audit will include obtaining an understanding of the City and its environment, including its internal control, sufficient to assess the risks of material misstatement of the financial statements and as a basis for designing the nature, timing, and extent of further audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. However, we will communicate to you at the conclusion of our audit any material weaknesses or significant deficiencies identified. We will also communicate to you:

- Any violation of laws or regulations that come to our attention;
- Our views relating to qualitative aspects of the City's significant accounting practices, including accounting policies, accounting estimates, and financial statement disclosures;
- Significant difficulties, if any, encountered during the audit;
- Disagreements with management, if any, encountered during the audit;
- Significant unusual transactions, if any;
- The potential effects of uncorrected misstatements on future-period financial statements; and
- Other significant matters that are relevant to your responsibilities in overseeing the financial reporting process.

Recent accounting standards now require us to communicate to you any significant risks identified during the planning stages of the audit which deserve special audit consideration. Our audit approach includes the identification of two significant risks which apply to all governmental audits:

- **Management override of controls** - Fraudulent financial reporting often involves management override of controls that otherwise may appear to be operating effectively. This is considered a significant risk due to the unpredictable way in which management override of controls can occur. We will design our audit procedures to address this significant risk by performing brainstorming discussions among our staff, introducing the element of unpredictability in our audit approach, performing fraud inquiries, and testing journal entries. This risk is standard in our approach for all governmental audits and is not specific to the City.
- **Improper revenue recognition** – The risk of fraud in revenue recognition is presumed and it requires the auditor to treat the risk of improper revenue recognition due to fraud as a significant risk. Our audit procedures will address this risk by gaining an understanding of all revenue streams, testing controls over areas with a high volume of transactions for which substantive procedures alone are not sufficient, confirmation of significant transactions with external sources, and vouching certain transactions from the general ledger to the supporting documentation and bank statements. This risk is standard in our approach for all governmental audits and is not specific to the City.

We are currently not aware of any additional significant risks which are specific to the City. However, additional significant risks may arise during the audit.

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

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| Document internal control and preliminary tests | September 2025 |
| Perform year-end audit procedures | January 2026 |
| Issue audit reports | March 2026 |

This information is intended solely for the information and use of The Honorable Mayor and Members of the City Council and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas