

DRAFT

To the Honorable Mayor and
City Council Members of the
City of Montgomery, Texas

In planning and performing our audit of the financial statements of the City of Montgomery, Texas (the “City”) as of and for the year ended September 30, 2024, 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 opinion 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. Matters communicated in this letter are classified as follows:

- **Material Weakness** – A material weakness is a deficiency, or 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.
- **Significant Deficiency** – A significant deficiency is a deficiency, or 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.
- **Deficiency** – A control deficiency 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control that we are required to or wish to communicate to you.

Year-End Accounting Adjustments	Significant Deficiency
Control Deficiency:	Adjustments were proposed by Crowe to update the accounts receivable, accounts payable, and accrued payroll balances for the following issues: <ul style="list-style-type: none">• Prior year sales tax receivable accruals were not reversed in the current year.• Prior year accounts payable accruals were not reversed in the current year• Accounts payable balances, including retainage payable, were not properly accrued at fiscal year end• Current year payroll accruals were recorded incorrectly
Potential Effect:	As a result of the above: <ul style="list-style-type: none">• Sales tax revenue and receivable amounts were misstated.• Expenditures and accounts payable amounts were misstated.• Expenditures and payroll accrual amounts were misstated.

Year-End Accounting Adjustments

Significant Deficiency

Recommendation:

The City should revise its internal control processes to involve the review and approval of reconciliations of accounts receivable, accounts payable, and payroll accrual balances at fiscal year end.

The purpose of this letter is solely to describe the scope of our testing of internal control over financial reporting, and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, this letter is not suitable for any other purpose.

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

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Houston, Texas
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