

January 15, 2025

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Rollingwood, Texas for the year ended September 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you in our engagement letter dated September 11, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Rollingwood, Texas are described in note 1 to the financial statements. The City did not adopt any new standards during the fiscal year. 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

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 financial statements include the net pension liabilities, other post-employment benefits (OPEB) liabilities, deferred inflows and outflows related to the Texas Municipal Retirement System (TMRS), accumulated depreciation, depreciation expense and the related estimated useful lives of capital assets, and the allowances for doubtful accounts. We evaluated the key factors and assumptions used to develop these estimates in determining they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements is the disclosure in Note 14 regarding the City's deficit of fund balance in the drainage fund.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

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. 30 adjustments were identified as a result of audit inquiry and audit procedures; most were material to the financial statements. We have attached the listing of correcting journal entries to this letter. Management has corrected all such misstatements.

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 January 15, 2025.

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 Matters

We applied certain limited procedures to management's discussion and analysis, budgetary comparison information, schedule of changes in net pension and OPEB liabilities and related ratios, and schedule of contributions, 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 other supplementary information 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 other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Other Audit 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.

Restriction on Use

This information is intended solely for the use of the City Council and management of the City of Rollingwood, Texas and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,
ABIP, PC

ABIP, PC

San Antonio, Texas

Client: **CITYO2012 - City of Rollingwood**
Engagement: **AUDIT2024 - City of Rollingwood**
Period Ending: **9/30/2024**
Trial Balance: **3001.01 - Trial Balance Database**
Workpaper: **3701.01 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		6000.01		
To roll net assets as of PY balances				
100-01-1000	CLAIM ON POOLED CASH		\$ 3,366.00	
100-01-1222	DUE FROM WATER FUND		137.57	
200-01-1200	ACCOUNTS RECEIVABLE		3,251.00	
200-01-1210	UNAPPLIED CREDITS		407.00	
200-01-2400	CUSTOMER DEPOSITS PAYABLE		8,800.00	
200-01-3000	FUND BALANCE-UNAPPROPRATED		137.57	
460-01-3000	FUND BALANCE-UNAPPROPRATED		3,366.00	
100-01-2600	TRAFFIC FINE RESERVE			\$ 137.57
100-01-3000	FUND BALANCE-UNAPPROPRATED			3,366.00
200-01-1288	UNAPPLIED CREDITS - AUDIT ALT			407.00
200-01-1299	ACCOUNTS REC - AUDIT ALTERNATE			3,251.00
200-01-2310	DUE TO MERCHANT ACCOUNT			137.57
200-01-2401	CUST DEPOSITS -AUDIT ALTERNATE			8,800.00
460-01-1000	CLAIM ON POOLED CASH			3,366.00
Total			19,465.14	19,465.14
Adjusting Journal Entries JE # 2		4605.01		
To capitalize current year projects, CIP, and record retainage payable				
701-01-1601	WATER LINE IMPROVEMENTS		1,188,703.59	
701-01-1614	CONSTRUCTION IN PROGRESS		424,216.56	
701-01-2009	RETAINAGE PAYABLE			76,927.43
701-35-5330	WATER CIP PACKAGES 1-4			1,535,992.72
Total			1,612,920.15	1,612,920.15
Adjusting Journal Entries JE # 3		4203.01		
Remove the revenue and expense related to the sales tax transfer to the RCDC				
100-10-4037	4-B SALES TAX		213,655.61	
100-10-5525	4B SALES TAX ALLOCATION			213,655.61
Total			213,655.61	213,655.61
Adjusting Journal Entries JE # 4		4603.01		
Book retainage payable for governmental CIP				
702-35-5221	NIXON PLEASANT DRAINAGE IMPROV		14,735.22	
702-35-5222	HUBBARD-HATLEY-PICKWICK DRAIN		2,474.53	
702-01-2CPA	Retainage Payable			17,209.75
Total			17,209.75	17,209.75
Adjusting Journal Entries JE # 5		4603.02		
Book enterprise asset additions and 2024 depreciation				
200-01-1620	EQUIPMENT		324,645.00	
200-90000	Depreciation Expense		156,388.00	
800-01-1620	EQUIPMENT		324,645.00	

800-90000	Depreciation Expense	339,194.00	
200-01-1610	ACCUMULATED DEPRECIATION		143,600.00
200-01-1628	ACCUM DEPREC MAINT & OFFICE		12,788.00
200-60-5192	Electronic Meter Project		324,645.00
800-01-1611	ACCUM DEPREC - BUILDING		1,720.00
800-01-1628	ACCUM DEPREC = MAINT & OFFICE		319,032.00
800-01-1630	ACCUM DEPREC - EQUIPMENT		18,442.00
800-60-5192	Electronic Meter Project		324,645.00
Total		1,144,872.00	1,144,872.00

Adjusting Journal Entries JE # 6

5305.02

Correct Vehicle Lease Payments

100-30-5494	VEH FIN NOTE - DEBT SERVICE	2,320.60	
100-99-5CPA	Transfer to Water Fund	2,941.71	
200-01-2123	GOVERNMENT CAPITAL LEASE	8,327.48	
800-60-5CPA	Transfer to Water Fund	3,123.71	
100-40-5494	VEHICLE FINANCING NOTE DEBT SV		4,477.31
100-55-5494	VEH FIN NOTE - DEBT SERVICE		785.00
200-01-4CPA	Transfer from General Fund		2,941.71
200-60-4CPA	Transfer From Stormwater		3,123.71
200-60-5494	VEH FIN NOTE - DEBT SERVICE		2,262.06
800-60-5494	VEH FIN NOTE - DEBT SERVICE		3,123.71
Total		16,713.50	16,713.50

Adjusting Journal Entries JE # 7

5307.02

Move debt payment that was due 10/16/2024 to prepaid expense REVERSE IN 2025

200-01-1CPA	Prepaid Expenses	12,859.43	
800-01-1CPA	Prepaid Expense	12,859.43	
200-60-5496	Meters Fin Note Debt Svc		12,859.43
800-60-5498	Meters Fin Note - Debt Svc		12,859.43
Total		25,718.86	25,718.86

Adjusting Journal Entries JE # 8

5307.02

Move loan revenue to a liability and amortize 2024 amounts

200-01-21CPA	2024 Loan Payable	14,683.51	
200-60-4579	CAPITAL LEASEPROCEEDS - METERS	324,645.00	
800-01-21CPA	2024 Loan Payable	14,683.51	
800-60-4579	Capital Lease Proceeds - Meter	324,645.00	
200-01-21CPA	2024 Loan Payable		324,645.00
200-60-5496	Meters Fin Note Debt Svc		14,683.51
800-01-21CPA	2024 Loan Payable		324,645.00
800-60-5498	Meters Fin Note - Debt Svc		14,683.51
Total		678,657.02	678,657.02

Adjusting Journal Entries JE # 9

5303.01

Adjust business type accrued interest and amortize premiums

200-01-2121	BOND PREMIUM-SR2014 WTR IMPRV	2,871.00	
200-01-2122	ACCRUED INTEREST PAYABLE	220.36	
701-01-2121	BOND PREMIUM-SR2023 WTR IMPR	6,755.00	
701-01-2122	BOND INT PAYBLE-SR2023 WTR IMP	7,416.45	
800-01-2122	ACCRUED INTEREST PAYABLE	25,636.83	
800-01-2136	BOND PREMIUM-2019 REFUNDING	29,432.00	
200-60-5299	Bond Interest-Series 2014		3,091.36

701-60-5304	Bond Interest		14,171.45
701-60-5CPA	Bond Interest 2024		
800-01-5347	Debt Service-Interest 2012B		55,068.83
Total		72,331.64	72,331.64

Adjusting Journal Entries JE # 10

5303.01

Correctly Display Debt

200-01-2120	BONDS PAYABLE-SR2014 WTR IMP	44,100.00	
200-60-5299	Bond Interest-Series 2014	18,569.25	
430-60-5461	Transfer to Water Fund	62,669.25	
450-60-5462	Transfer Out	715,650.00	
470-60-5462	Transfer Out	235,983.14	
701-01-2120	BONDS PAYABLE-SR2023 WTR IMPR	65,000.00	
701-60-4640	OTHER SOURCES - BOND PREMIUM	82,036.72	
701-60-4641	OTHER SOURCES - BOND ISSUANCE	1,395,000.00	
701-60-5303	BOND ISSUANCE COST	19,688.18	
701-60-5304	Bond Interest	170,983.14	
800-01-2135	BONDS PAYABLE-2019 REFUNDING	425,000.00	
800-01-5347	Debt Service-Interest 2012B	290,650.00	
200-60-4718	Transfer from SR2014 Debt Service		62,669.25
430-60-5298	BOND PRINCIPAL - SERIES 2014		44,100.00
430-60-5299	BOND INTEREST - SERIES 2014		18,569.25
450-60-5207	BOND PRINCIPAL-SERIES 2019		425,000.00
450-60-5208	BOND INTEREST - SERIES 2019		290,650.00
470-60-5209	BOND PRINCIPAL - SERIES 2023		65,000.00
470-60-5210	BOND INTEREST - SERIES 2023		170,983.14
701-01-21CPA	Bond Payable - SR2024 WTR IMPR		1,395,000.00
701-01-22CPA	Bond Premium - SR2024 WTR IMPR		101,724.90
701-01-4CPA	Transfer in from 2023 Bond		235,983.14
800-01-4732	Transfer from 2012 Debt Service-FD440		715,650.00
Total		3,525,329.68	3,525,329.68

Adjusting Journal Entries JE # 11

4205.02

Adjust allowance accounts for water and wastewater

200-60-4600	WATER SALES	3,936.26	
800-60-4620	WASTEWATER	1,242.69	
200-01-1205	ALLOWANCE FOR UNCOLLECTIBLE		3,936.26
800-01-1205	ALLOWANCE FOR UNCOLLECTIBLE		1,242.69
Total		5,178.95	5,178.95

Adjusting Journal Entries JE # 12

5601.01

Recognize remainder of ARPA deferred revenue

100-01-2141	ARPA DEFERRED REVENUE	7,745.13	
100-10-4565	GRANT REVENUES		7,745.13
Total		7,745.13	7,745.13

Adjusting Journal Entries JE # 13

4206.02

Adjust property tax AR, allowance accts, and deferred revenue

100-01-1230	TAXES RECEIVABLE - GENERAL	6,369.14	
430-01-1230	TAXES RECEIVABLE	6,574.17	
100-01-1206	ALLOWANCE FOR DOUBTFUL ACCTS		1,441.91
100-01-2250	DEFERRED TAX REV=DELINQUENT TX		4,927.23
430-01-1206	ALLOWANCE FOR DOUBTFUL COLL		1,109.72
430-01-2250	DEFERRED TAX REV-DELINQUENT TX		5,464.45

Total		<u><u>12,943.31</u></u>	<u><u>12,943.31</u></u>
Adjusting Journal Entries JE # 14	4206.02		
Properly show penalty and interest income in the general fund			
100-10-4020	PENALTY & INTEREST ON TAXES	61,248.51	
100-10-4000	CURRENT PROPERTY TAXES		61,248.51
Total		<u><u>61,248.51</u></u>	<u><u>61,248.51</u></u>
Adjusting Journal Entries JE # 15	5402.01		
Properly state lease revenue & receivable			
100-01-2299	DEFERRED INFLOW - LEASE	33,651.00	
100-55-4320	FIELD LEASE	2,069.00	
100-01-1399	LEASE RECEIVABLE		27,863.00
100-55-4400cpa	INTEREST INCOME - LEASES		7,857.00
Total		<u><u>35,720.00</u></u>	<u><u>35,720.00</u></u>
Adjusting Journal Entries JE # 16	PBC (3802.01)		
Reclass authorize.net deposit			
200-01-1250	ALLOWANCE FOR LOSSES	6,813.02	
200-60-5234	CROSSROADS EMERG/M&O REPAIRS		6,813.02
Total		<u><u>6,813.02</u></u>	<u><u>6,813.02</u></u>
Adjusting Journal Entries JE # 17	5602.01		
Move prepayments to deferred revenue. RECOGNIZE IN 2025			
800-01-1215	OTHER RECEIVABLES (WATER)	14,625.14	
800-01-2090	Deferred Revenue-Paving Assess		14,625.14
Total		<u><u>14,625.14</u></u>	<u><u>14,625.14</u></u>
Adjusting Journal Entries JE # 18	4901.01		
To adjust due to/due froms			
100-01-2008	ACCOUNTS PAYABLE - OTHER	2,712.48	
100-01-1221	DUE FROM RCDC		2,712.48
Total		<u><u>2,712.48</u></u>	<u><u>2,712.48</u></u>
Adjusting Journal Entries JE # 19	5253.01		
To adjust record GASB 68 entries in the enterprise funds			
200-60-5050	TX MUNICIPAL RETIREMENT SYS	8,610.00	
800-01-5050	Tx Mun Retire System Exp	8,610.00	
200-01-1131	NET PENSION		5,244.00
200-01-1141	DEFERRED OUTFLOW OF RESOURCES		3,298.00
200-01-2140	DEFERRED INFLOWS OF RESOURCES		68.00
800-01-1031	NET PENSION		5,244.00
800-01-1141	DEFERRED OUTFLOW OF RESOURCES		3,298.00
800-01-2140	DEFERRED INFLOWS OF RESOURCES		68.00
Total		<u><u>17,220.00</u></u>	<u><u>17,220.00</u></u>
Adjusting Journal Entries JE # 20	5261.01		
To record GASB 75 entries in the enterprise funds			
200-01-2142	RES STORM DISCHA PERMIT-ZONE 8	526.00	
200-60-5050	TX MUNICIPAL RETIREMENT SYS	2,049.00	
800-01-2142	RES STORM DISCHA PERMIT-ZONE 8	526.00	

800-01-5050	Tx Mun Retire Systm Exp	2,049.00	
200-01-1142	DEFERRED OUTFLOWS-OPEB		173.00
200-01-2145	OPEB LIABILITY		2,402.00
800-01-1142	DEFERRED OUTFLOWS-OPEB		173.00
800-01-2145	OPEB LIABILITY		2,402.00
Total		5,150.00	5,150.00

Adjusting Journal Entries JE # 21

To properly state accrued payroll and payroll expense at 9/30/2024

5205.01

100-15-5000	SALARY	425.00	
100-25-5000	SALARY	397.00	
100-30-5000	SALARY	95.00	
100-40-5000	SALARY	3,627.00	
100-50-5000	SALARY	249.00	
200-60-5000	SALARY	754.00	
800-60-5000	SALARY	754.00	
100-01-2115	WAGES PAYABLE		4,643.00
100-10-5000	SALARY		132.00
100-55-5000	SALARY		18.00
200-01-2115	WAGES PAYABLE		754.00
800-01-2115	WAGES PAYABLE		754.00
Total		6,301.00	6,301.00

Adjusting Journal Entries JE # 22

To zero out payroll liabilities (post in FY24, do not reverse)

5206.01

100-01-2010	HEALTH INSURANCE PAYABLE	4,043.22	
100-01-2080	TMRS RETIREMENT WITHHELD	4,130.77	
200-60-5020	HEALTH INSURANCE	1,498.34	
200-60-5050	TX MUNICIPAL RETIREMENT SYS	3,233.54	
800-60-5020	HEALTH INSURANCE	1,498.34	
800-60-5050	TX MUNICIPAL RETIREMENT SYS	3,866.63	
100-10-5020	HEALTH INSURANCE		367.76
100-10-5050	TX MUNICIPAL RETIREMENT SYS		410.30
100-15-5020	HEALTH INSURANCE		388.58
100-15-5050	TX MUNICIPAL RETIREMENT SYS		267.86
100-25-5020	HEALTH INSURANCE		409.04
100-25-5050	TX MUNICIPAL RETIREMENT SYS		247.85
100-30-5020	HEALTH INSURANCE		184.54
100-30-5050	TX MUNICIPAL RETIREMENT SYS		209.05
100-40-5020	HEALTH INSURANCE		2,544.62
100-40-5050	TX MUNICIPAL RETIREMENT SYS		2,739.82
100-50-5020	HEALTH INSURANCE		38.03
100-50-5050	TX MUNICIPAL RETIREMENT SYS		132.80
100-55-5050	TX MUNICIPAL RETIREMENT SYS		110.65
100-55-5050	TX MUNICIPAL RETIREMENT SYS		123.09
200-01-2010	HEALTH INSURANCE PAYABLE		1,498.34
200-01-2080	TMRS RETIREMENT PAYABLE		3,233.54
800-01-2010	HEALTH INSURANCE PAYABLE		1,498.34
800-01-2080	TMRS RETIREMENT PAYABLE		3,866.63
Total		18,270.84	18,270.84

Adjusting Journal Entries JE # 23

To record compensated absences liability at year end

5203.01

200-60-5060	Compensated Absences Expense	2,059.40	
800-01-5060	Compensated Absences Expense	2,059.40	

200-01-2110	COMPENSATED ABSENCE PAYABLE		2,059.40	
800-01-2110	COMPENSATED ABSENCE PAYABLE		2,059.40	
Total			4,118.80	4,118.80
Adjusting Journal Entries JE # 24		5307.01		
To adjust court cost payable at 9/30/2024				
100-01-2600	TRAFFIC FINE RESERVE		19,833.99	
100-50-4100	COURT FINES			19,833.99
Total			19,833.99	19,833.99
Adjusting Journal Entries JE # 25				
To reclass Due to RCDC				
100-01-2008	ACCOUNTS PAYABLE - OTHER		17,421.13	
100-01-2301	DUE TO RCDC			17,421.13
Total			17,421.13	17,421.13
Adjusting Journal Entries JE # 26		4203.01		
To adjust sales tax receivable to actual amounts				
100-10-4040	CITY SALES TAX		5,301.01	
301-99-5CPA	TRANSFER TO GENERAL FUND		1,021.64	
100-01-1350	SALES TAX RECEIVABLE			4,279.37
100-99-4CPA	TRANSFER FROM STREET MAINTENANCE			1,021.64
301-01-1350	SALES TAX RECEIVABLE			1,021.64
Total			6,322.65	6,322.65
Adjusting Journal Entries JE # 27		4202.01		
To adjust returned checks receivable balance				
200-01-1300	RETURNED CHECKS RECEIVABLE		5,948.29	
200-60-4600	WATER SALES			5,948.29
Total			5,948.29	5,948.29
Adjusting Journal Entries JE # 28		7204.01		
To reverse reserve account expense entry				
800-01-2070	Televising / Smoke Testing Res		32,500.00	
800-60-5218	ANNUAL TELEVISING/SMOKE TEST			32,500.00
Total			32,500.00	32,500.00
Adjusting Journal Entries JE # 29				
To reclass amounts out of capital outlay				
100-55-5164	EQUIPMENT MAINT & REPAIRS		357.88	
100-55-5171	EQUIPMENT			357.88
Total			357.88	357.88
Adjusting Journal Entries JE # 30		4201.01		
To record AR for Austin Energy Franchise Fee not received until after year-end				
100-01-1200	ACCOUNTS RECEIVABLE		36,618.82	
100-10-4051	ELECT UTIL FRANCHISE FEE			36,618.82
Total			\$ 36,618.82	\$ 36,618.82