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September 8, 2025

To the Honorable Mayor, Members of
the City Council and City Secretary
City of San Augustine, Texas

Re: Financial audits for the City

Ladies and gentlemen:

Please accept this letter as formal notification of our resignation as the City's external auditor, effectively immediately. We have reached this decision reluctantly and after substantial deliberation.

We are relatively small firm presently facing staffing constraints and increasing needs from our clients, especially in the governmental arena. Like you, many of our governmental clients are two and three years behind in their audits. Texas S.B. 1851, which was effective September 1, 2025, has significantly increased the need for our clients to "get caught up" or face restrictions on their ability to increase tax revenues and/or apply and qualify for grants.

The amount of time required to perform the FY2021 and FY2022 audits for San Augustine was significantly greater than the time required to perform audits for other cities of comparable size. As noted in our audit findings for those years, there were a number of weaknesses in the accounting processes that caused delays and inefficiencies in our auditing procedures. Many of these weaknesses were not resolved in FY2022 and it is my understanding that some may yet to be resolved in FY2023. Consequently, we are simply unable to make the time commitment needed to provide the quality of work that we desire to provide.

We appreciate the hard work and commitment that you all have put into serving the citizens of San Augustine. Please know that we are available to assist you as you are searching and transitioning to a new external auditor. Thank you and we wish you continued success.

Yours truly,

Kim Johnson, CPA
Partner