



Required Auditor Disclosure Letter Conclusion of Audit

February 28, 2023

To the Honorable Mayor and
City Council Members of the
City of Hilshire Village, Texas:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the City of Hilshire Village, Texas (the “City”) for the year ended September 30, 2022. Professional standards require that we provide the City Council (the “governing body”) with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter previously sent at the start of the annual audit. Professional standards also require that we communicate to the governing body the following information related to our audit.

I. Significant Audit Findings

1. *Qualitative Aspects of Accounting Practices*

- A. Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the 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.
- B. 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 were:

Management’s estimate of the useful lives of capital assets is based on industry standards relating to capital assets. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Estimates are used in the calculation of the pension liability and the required annual contribution. The Texas Municipal Retirement System (TMRS) hires a licensed actuary to make key assumptions and to perform calculations, as well as an independent auditor to review those assumptions and calculations. We evaluated the reasonableness of the employee data provided by the City to TMRS.

- C. The financial statement disclosures are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of long-term debt in the financial statements is significant to financial statement users because it discloses the City's long-term financial obligations.

2. Difficulties Encountered in Performing the Audit

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

3. 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. Management has corrected all such misstatements. The attached schedule summarizes both material and immaterial misstatements detected as a result of our audit procedures. Management has corrected all misstatements.

4. 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 auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

5. Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 28, 2023.

6. 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 auditors' 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.

7. Other Audit Findings or 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.

8. Changes in Risk Assessment

No changes in risk assessment were noted in the completion of the audit as previously communicated in our planning letter.

II. Other Matters

We applied certain limited procedures to the Required Supplementary Information (RSI), as identified on the table of contents, which 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 supplementary information, as identified on the table of contents, which accompanies the financial statements but is 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 supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

III. Restrictions on Use

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

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas

Client: **City of Hilshire Village, Texas**
 Engagement: **4.1 - Hilshire 9/30/22**
 Period Ending: **9/30/2022**
 Trial Balance: **2.2.01 - TB**
 Workpaper: **2.5.06 - Adjusting Journal Entries Report**

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 1			
To correct beginning fund balance.			
01-32000	Retained Earnings	119,553.55	
01-31100	Fund Bal-Unres (Metro)		103,038.39
01-31250	Fund Balance-Reserved (DSF)		10,519.93
01-42101	Property Taxes-Debt-Current		2,273.63
01-46100	Int. Income-Gen funds		7.20
01-46800	Int. Income-Debt Taxes		114.40
01-48100	Other Income		1,500.00
01-55500	Miscellaneous test		2,100.00
Total		119,553.55	119,553.55
Adjusting Journal Entries JE # 2			
To reclass capital assets below 5k to expense.			
02-55501	Repairs to Water Lines	7,167.84	
02-11026	Improvements		7,167.84
Total		7,167.84	7,167.84
Adjusting Journal Entries JE # 3			
To record transfers and reclass property tax activity to balance the funds.			
01-21400	Deferred Revenue-Property Tax	82.47	
01-41019	Transfer from General	23,241.76	
01-21450	Def. Revenue-Debt-Property Tax		82.47
01-41018	Transfer to DSF		23,241.76
Total		23,324.23	23,324.23
Adjusting Journal Entries JE # 4			
To correct TDEM activity.			
02-11255	Transfer from Gen-Other funds	100,105.53	
02-11261	Utility - Due to General Fund		100,105.53
Total		100,105.53	100,105.53
Adjusting Journal Entries JE # 5			
For reporting purposes only: to reclass utility AP to due to general fund.			
02-50000	Accounts Payable	14,968.91	
02-11261	Utility - Due to General Fund		14,968.91
Total		14,968.91	14,968.91
Adjusting Journal Entries JE # 6			
To adjust property tax.			
01-11216	A/R Debt Proceeds Delinquent	1.86	
01-42200	Property Taxes - Delinquent	3,345.15	
01-42201	Property tax-debt-delinquent	1,080.81	
01-11214	A/R Property Tax Delinquent		1.91
01-21400	Deferred Revenue-Property Tax		3,343.24
01-21450	Def. Revenue-Debt-Property Tax		1,082.67
Total		4,427.82	4,427.82
Adjusting Journal Entries JE # 7			
To record issuer fee revenue and transfer for HVCEFFC.			
03-6210	Transfer out to City	20,000.00	
03-4000	Issuer Fees		20,000.00
Total		20,000.00	20,000.00

Adjusting Journal Entries JE # 8

To record W&S depreciation expense.

02-56550	Depreciation Expense	134,051.26	
02-11050	Accumulated Depreciation		134,051.26
Total		<u>134,051.26</u>	<u>134,051.26</u>

Adjusting Journal Entries JE # 9

To reclassify refund from bank.

01-11216.01	A/R Bank Refund	1,400.00	
01-56525	Bank Charges		1,400.00
Total		<u>1,400.00</u>	<u>1,400.00</u>

Adjusting Journal Entries JE # 10

For reporting purposes only: To clear negative cash.

01-11117	Anticipn Note Dbt Ser-#3692515	175.96	
01-21211	Due from DSF	175.96	
01-11114	Checking-Amegy Bank		175.96
01-11266	DSF - Due to General		175.96
Total		<u>351.92</u>	<u>351.92</u>

Total Adjusting Journal Entries	<u>425,351.06</u>	<u>425,351.06</u>
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Total All Journal Entries	<u>425,351.06</u>	<u>425,351.06</u>
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Required Auditor Disclosure Letter Planning

February 28, 2023

To the Honorable Mayor and
City Council Members of the
City of Hilshire Village, Texas:

We are engaged to audit the financial statements of the governmental activities, the business-type activities, the discretely presented component units, and each major fund of the City of Hilshire Village, Texas (the “City”) for the year ended September 30, 2022. Professional standards require that we provide the City Council (the “governing body”) with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit.

I. Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 9, 2021, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with the governing body’s oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve the governing body or management of its responsibilities.

Generally accepted accounting principles provide for certain Required Supplementary Information (RSI) to supplement the basic financial statements. Our responsibility with respect to the Management’s Discussion and Analysis, budgetary comparison schedules, schedules of changes in the net pension and total other postemployment benefits liability and related ratios, and schedule of contributions, which supplement the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient appropriate evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have been engaged to report on the schedule, which accompany the financial statements but are not RSI. Our responsibility for this supplementary information, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

II. Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgement about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on the behalf of the entity. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We have identified the following significant risks of material misstatement as part of our audit planning: risk that payroll liabilities for full accrual statements will be misstated as they relate to the recording of pension and other postemployment benefits liabilities and related activity; changes related to the implementation of new Government Accounting Standards Board Standard No. 87, *Leases*; management override of controls; and revenue recognition.

We expect to begin our audit as soon as management has closed the fiscal year and provided a clean trial balance and applicable items as noted on the auditor provided needs list. Information for the audit is needed a minimum of 90 days in advance of the desired meeting date.

Should any matters be reported through the related party questionnaires regarding concerns of fraud or other financial reporting concerns that require auditor follow up, this will result in an increase in fees charged for the audit based on actual time expended.

III. Restrictions on Use

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

BELT HARRIS PECHACEK, LLLP

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Certified Public Accountants
Houston, Texas