



Required Auditor Disclosure Letter

March 14, 2022

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, 2021. 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.

II. Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to the governing body in our engagement letter dated March 9, 2021.

III. 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 net pension and total other postemployment benefits liability and the required annual contributions. 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.

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 March 14, 2022.

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.

IV. 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.

V. 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 9/30/21**
Period Ending: **9/30/2021**
Trial Balance: **2.2.01 - TB**
Workpaper: **2.5.06 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1				
To accrue sales tax revenue collection for the months of October 2021 and November 2021.				
01-11213	A/R Sales Tax		12,984.58	
01-44000	City Sales Tax			12,984.58
Total			12,984.58	12,984.58
Adjusting Journal Entries JE # 2				
To correct beginning fund balance.				
01-32000	Retained Earnings		51,861.63	
01-31000	Fund Bal-Unres (Undesignated)			49,340.02
01-31250	Fund Balance-Reserved (DSF)			421.61
01-55500	Miscellaneous test			2,100.00
Total			51,861.63	51,861.63
Adjusting Journal Entries JE # 3				
To post transfer.				
01-41018	Transfer to DSF		6,000.00	
01-41019	Transfer from General			6,000.00
Total			6,000.00	6,000.00
Adjusting Journal Entries JE # 5				
To adjust depreciation expense and capital assets per WSF capital assets schedule.				
02-11021	Water System		1,859.00	
02-11022	Sewer System		1,113.84	
02-56550	Depreciation Expense		132,459.11	
02-11050	Accumulated Depreciation			132,459.11
02-55502	Repairs to Sewer Lines			1,113.84
02-55507	New Construction Meter Install			1,859.00
Total			135,431.95	135,431.95
Adjusting Journal Entries JE # 6				
To move grant to utility fund.				
01-41600	TDEM - Grant		100,105.53	
02-11261	Utility - Due to General Fund		100,105.53	
01-11255	Due to/from Utility Fund			100,105.53
02-21401	Deferred Revenue - TDEM Grant			100,105.53
Total			200,211.06	200,211.06
Total Adjusting Journal Entries			406,489.22	406,489.22
Total All Journal Entries			406,489.22	406,489.22