



Required Auditor Disclosure Letter Conclusion of Audit

April 19, 2024

To the Board of Commissioners
of the Village Fire Department:

We have audited the financial statements of the governmental activities and each major fund of the Village Fire Department (the “Department”) for the year ended December 31, 2023. Professional standards require that we provide the Board of Commissioners (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 Department are described in the notes to the financial statements. We noted no transactions entered into by the Department 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 Department to TMRS.

AUDITING TEXAS GOVERNMENTS WITH EXCELLENCE

Estimates are used in the calculation of the health care liability for other postemployment benefits. The Department hires a licensed actuary to perform the calculation. We evaluated the key factors and assumptions used to develop the liability in relation to the financial statements taken as a whole.

- 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 liabilities in the financial statements is significant to financial statement users because it discloses the Department'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 April 19, 2024.

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 Department'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 Department'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 Board of Commissioners 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: **Village Fire Department**
 Engagement: **4.1 - Village Fire Dept 12/31/23**
 Period Ending: **12/31/2023**
 Trial Balance: **2.2.01 - TB**
 Workpaper: **2.5.05 - Adjusting Journal Entries Report**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
To record 2022 audit adjustment for retainage payable to correct beginning fund balance.			
01-53010	Facility Fund Balance	6,425.18	
01-57130	Professional Services		6,425.18
Total		6,425.18	6,425.18
Adjusting Journal Entries JE # 2			
To record 2022 accounts payable related to new ambulance to correct beginning fund balance.			
02-23010	Strategic Plan Fund Balance	54,000.00	
02-25040	New Ambulance		54,000.00
Total		54,000.00	54,000.00
Adjusting Journal Entries JE # 3			
To clear out gross prepaid insurance activity to present net numbers only.			
01-11322	Prepaid Ins-Amortization	139,453.55	
01-11329	Prepaid Insurance-Contra	75,445.42	
01-17119	Miscellaneous	2,610.00	
01-11310	Prepaid Meal Allowances		2,610.00
01-11321	Prepaid Insurance-Payments		214,898.97
Total		217,508.97	217,508.97
Adjusting Journal Entries JE # 4			
To remove gross payable and payment activity. Recommend discontinuing this practice and removing (disactivating payment			
01-12111	FICA Withholding	850,540.84	
01-12119	FICA Payable-Contra	12,203.62	
01-12121	Fed Income Tax Withholding	671,401.42	
01-12131	Employee Med Plan 125 W/H	176,962.76	
01-12141	Deferred Comp Withholding	256,877.71	
01-12149	Deferred Comp Pay-Contra	70,645.16	
01-12161	Firefighters Dues W/H	23,975.00	
01-12171	Prepaid Legal Svcs W/H	1,772.40	
01-12181	Employee Savings Plan W/H	3,669,804.72	
01-12191	Special Employee Withholding	62,760.72	
01-12201	Supp. Life Ins. W/H	16,572.58	
01-12311	Retirement Contrib Accruals	773,538.18	
01-12319	Retirement Contrib-Contra	68,964.09	
01-12321	Advance Pmts-Receipts	364,294.58	
01-12112	FICA Deposits		862,744.46
01-12122	Fed Income Tax Deposits		671,401.42
01-12132	Employee Med Plan 125 Paymnts		176,962.76
01-12142	Deferred Comp Payments		327,522.87
01-12162	Firefighters Dues Payments		23,975.00
01-12172	Prepaid Legal Svcs Payments		1,772.40
01-12182	Employee Savings Plan Paymnts		3,669,804.72
01-12192	Spec Employee W/H Payments		62,760.72
01-12202	Supp Life Ins W/H Payments		16,572.58
01-12312	Retirement Contrib Payments		842,502.27
01-12322	Advance Pmts-Amortization		364,294.58
Total		7,020,313.78	7,020,313.78
Adjusting Journal Entries JE # 5			
To record retainage portion on invoice recorded as accounts payable at year end for roof.			
01-15015	Contingency-Physical Plant	18,098.00	
01-12010	Accounts Payable		18,098.00
Total		18,098.00	18,098.00
Adjusting Journal Entries JE # 6			

Client: **Village Fire Department**
 Engagement: **4.1 - Village Fire Dept 12/31/23**
 Period Ending: **12/31/2023**
 Trial Balance: **2.2.01 - TB**
 Workpaper: **2.5.05 - Adjusting Journal Entries Report**

Account	Description	Debit	Credit
To record VMIG gross activity for the year.			
992020	Insurance Payable Account	4,076.14	
995010	Insurance Premiums Distributed	3,304,390.23	
994010	Insurance Premiums Collected		3,308,466.37
Total		<u>3,308,466.37</u>	<u>3,308,466.37</u>

Adjusting Journal Entries JE # 7

To record gross ambulance billing activity at year end.

01-35000	Billing Fee	265,247.56	
01-34000	Emergency Medical Services Revenue		265,247.56
Total		<u>265,247.56</u>	<u>265,247.56</u>

Adjusting Journal Entries JE # 8

To record 13/24 months of U.S. Digital invoice as expense per Marlo's email. 9779.54 to be expensed in 2024 for services through

01-17119	Miscellaneous	11,771.66	
01-12010	Accounts Payable		11,771.66
Total		<u>11,771.66</u>	<u>11,771.66</u>



Required Auditor Disclosure Letter Planning

March 15, 2024

To the Board of Commissioners of the
Village Fire Department:

We are engaged to audit the financial statements of the governmental activities and each major fund of the Village Fire Department (the “Department”) for the year ended December 31, 2023. Professional standards require that we provide the Board of Commissioners (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 July 10, 2023, 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 schedule, 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 schedules, 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; 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.

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Houston, Texas