



Required Auditor Disclosure Letter Conclusion of Audit

March 29, 2024

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 discretely presented component units, and each major fund of the City of Hilshire Village, Texas (the “City”) for the year ended September 30, 2023. 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 Matters

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. 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. 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 March 29, 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 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 9/30/23**
 Period Ending: **9/30/2023**
 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 record outstanding deposits from utilities fund to general fund for garbage revenue.			
01-11114	Checking-Amegy Bank	15,764.63	
01-11114	Checking-Amegy Bank	15,853.32	
01-21300	Sales Tax Garbage		1,196.25
01-21300	Sales Tax Garbage		1,200.71
01-42500	Garbage Income		14,568.38
01-42500	Garbage Income		14,652.61
Total		31,617.95	31,617.95
Adjusting Journal Entries JE # 2			
To adjust property taxes.			
01-11214	A/R Property Tax Delinquent	231.42	
01-21400	Deferred Revenue-Property Tax	425.95	
01-21450	Def. Revenue-Debt-Property Tax	242.40	
01-11216	A/R Debt Proceeds Delinquent		231.92
01-42100	Property Taxes - Current		657.37
01-42101	Property Taxes-Debt-Current		10.48
Total		899.77	899.77
Adjusting Journal Entries JE # 3			
To correct fund balances.			
01-21450	Def. Revenue-Debt-Property Tax	91.41	
01-31250	Fund Balance-Reserved (DSF)	18,815.50	
01-32000	Retained Earnings	76,945.37	
01-48100	Other Income	200.00	
01-21400	Deferred Revenue-Property Tax		91.41
01-31000	Fund Bal-Unres (Undesignated)		93,860.87
01-55500	Miscellaneous test		2,100.00
Total		96,052.28	96,052.28
Adjusting Journal Entries JE # 4			
To record W&S depreciation expense.			
02-56550	Depreciation Expense	134,052.34	
02-11050	Accumulated Depreciation		134,052.34
Total		134,052.34	134,052.34
Adjusting Journal Entries JE # 5			
To correct and balance transfers.			
02-11261	Utility - Due to General Fund	2,140.25	
02-11012	Checking Account		2,140.25
Total		2,140.25	2,140.25
Adjusting Journal Entries JE # 6			
To correct A/R for W&S Fund.			
02-11201	A/R-Utilities	20,591.52	
02-45000	Water Revenues		9,423.70
02-45001	Sewer Revenues		2,164.94
02-45008	Utility Services Income		9,002.88
Total		20,591.52	20,591.52

Adjusting Journal Entries JE # 7

To remove a non-capital asset and move to expense account.

02-51003	Utilities -Lift Station	4,078.50	
02-11028	Generator for Lift Station		4,078.50
Total		<u>4,078.50</u>	<u>4,078.50</u>

Adjusting Journal Entries JE # 8

To correct revenue/expese and move from transfer to expense grouping.

01-53700	Child Safety Expenses	906.38	
01-410016	Transfer to Child Safety		906.38
Total		<u>906.38</u>	<u>906.38</u>

Total Adjusting Journal Entries	<u>290,338.99</u>	<u>290,338.99</u>
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Total All Journal Entries	<u>290,338.99</u>	<u>290,338.99</u>
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