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Required Auditor Disclosure Letter Conclusion of Audit

February 28, 2024

To the Honorable Mayor and
City Council Members of the
City of Deer Park, Texas:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Deer Park, 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. No new accounting policies were adopted and the application of existing policies was not changed during 2023. 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 and other postemployment benefits liability and the required annual contribution. The Texas Municipal Retirement System (TMRS) and the Texas Emergency Services Retirement System (TESRS) hire licensed actuaries to make key assumptions and to perform calculations, as well as independent auditors to review those assumptions and calculations. We evaluated the reasonableness of the employee data provided by the City to TMRS and TESRS.

Estimates are used in the calculation of the health care liability for other postemployment benefits. The City 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 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 February 28, 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.

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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*

In addition to previously communicated risks in our planning letter, we noted an additional risk of material misstatement as follows: Changes related to Governmental Accounting Standards Board Statement No. 87, *Leases*.

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.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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.

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BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas

Client: **City of Deer Park, Texas**
 Engagement: **City of Deer Park 09/30/23**
 Period Ending: **9/30/2023**
 Trial Balance: **2.2.01 - TB**
 Workpaper: **2.6.06 - Adjusting Journal Entries Report**

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Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		H.06		
To reclass Motorola components from CIP to repairs and maintenance				
820-300-49040	MACHINERY & EQUIPMENT		346,564.56	
820-000-17800	CONSTRUCTION IN PROGRESS			346,564.56
Total			<u>346,564.56</u>	<u>346,564.56</u>
Adjusting Journal Entries JE # 2		C.01		
To correct property taxes per rollforward				
010-000-11200	TAXES RECEIVABLE DELINQUENT		500.07	
010-000-11210	ALLOWANCE FOR UNCOLL DELINQ		38,719.13	
010-000-11250	PENALTIES/INTEREST RECEIVABLE		45,006.13	
200-000-11200	TAXES RECEIVABLE DELINQUENT		993.22	
200-000-11210	ALLOWANCE FOR UNCOLL DELINQ		13,733.93	
200-000-11250	PENALTIES/INTEREST RECEIVABLE		18,474.23	
010-000-11260	ALLOWANCE FOR P&I RECEIVABLE			33,754.60
010-000-25000	DEFERRED REVENUES-PROPERTY TAX			39,219.20
010-000-25050	DEFERRED REVENUE-P&I			11,251.53
200-000-11260	ALLOWANCE FOR P&I RECEIVABLE			13,855.67
200-000-25000	DEFERRED REVENUES-PROPERTY TAX			14,727.15
200-000-25050	DEFERRED REVENUE-P&I			4,618.56
Total			<u>117,426.71</u>	<u>117,426.71</u>
Adjusting Journal Entries JE # 3		C.04a		
To adjust accounts receivable, allowance, and deferred for ambulance				
010-000-13300	ACCOUNTS RECEIVABLE-AMBULANCE		743,504.56	
010-000-13310	ALLOWANCE-AMBULANCE			699,018.92
010-000-25300	DEFERRED REVENUE-AMBULANCE			44,485.64
Total			<u>743,504.56</u>	<u>743,504.56</u>

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Adjusting Journal Entries JE # 4		C.06		
To adjust AR, allowance, and deferred for fines				
010-000-16510	ACCOUNTS RECEIVABLE-FINES		58,567.53	
010-000-16500	ALLOWANCE-FINES & FORFEITURES			40,997.27
010-000-25600	DEFERRED REVENUE-FINES			17,570.26
Total			<u>58,567.53</u>	<u>58,567.53</u>
Adjusting Journal Entries JE # 5		I.05		
To adjust for bond issuance costs paid by DPCDC				
311-900-45250	Other Bond Related Fees		207,578.61	
850-432-45300	OPERATING TRANSFERS		207,578.61	
311-900-36400	Operating Transfers			207,578.61
850-900-45250	OTHER BOND RELATED FEES			207,578.61
Total			<u>415,157.22</u>	<u>415,157.22</u>
Adjusting Journal Entries JE # 6		F.04		
To record GASB 68 pension changes				
400-000-18110	DEF OUT - CONTRIBUTIONS		1,226,298.00	
400-000-28100	DEF IN-ACT EXP VS ASSUMPTION		1,148,101.00	
400-750-41970	PENSION EXPENSE		138,498.00	
425-000-18110	DEF OUT - CONTRIBUTIONS		52,377.00	
425-000-28100	DEF IN-ACT EXP VS ASSUMPTION		46,841.00	
425-750-41970	Pension expense		29,183.00	
820-000-18110	DEF OUT - CONTRIBUTIONS		262,142.00	
820-000-28100	DEF IN-ACT EXP VS ASSUMPTION		149,260.00	
820-750-41970	PENSION EXPENSE		145,118.00	
830-000-18110	DEF OUT - CONTRIBUTIONS		409,479.00	
830-000-28100	DEF IN-ACT EXP VS ASSUMPTION		276,042.00	
830-750-41970	PENSION EXPENSE		244,716.00	
400-000-23250	NET PENSION OBLIGATION			2,512,897.00
425-000-23250	NET PENSION OBLIGATION			128,401.00
820-000-23250	NET PENSION OBLIGATION			556,520.00
830-000-23250	NET PENSION OBLIGATION			930,237.00
Total			<u>4,128,055.00</u>	<u>4,128,055.00</u>
Adjusting Journal Entries JE # 7		C.08f		
To adjust activity for lease receivable				
010-000-25150	DEFERRED REVENUE-LEASE		43,346.00	
010-000-31200	SALES TAX REVENUE		41,532.00	
010-000-13150	LEASE RECEIVABLE			32,069.00
010-000-34087	Lease Revenue			52,809.00
Total			<u>84,878.00</u>	<u>84,878.00</u>

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Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 8		F.11		
To adjust OPEB health plan liability at 9/30/23				
400-000-23260	NET OPEB OBLIGATION		205,039.00	
400-750-41980	OPEB EXPENSE		98,879.00	
425-000-23260	TOTAL OPEB LIABILITY		3,719.00	
425-750-41980	OPEB expense		1,793.00	
820-000-23260	TOTAL OPEB LIABILITY		37,074.00	
820-750-41980	OPEB EXPENSE		17,878.00	
830-000-23260	TOTAL OPEB LIABILITY		44,114.00	
830-750-41980	OPEB EXPENSE		21,273.00	
400-000-18140	DEF OUT-CHANGES IN ASSUMPTIONS-			146,992.00
400-000-28130	DEF IN-EXP AND ACT EXPERIENCE -			156,926.00
425-000-18140	DEF OUT-CHANGES IN ASSUMPTIONS-			2,666.00
425-000-28130	DEF IN-EXP AND ACT EXPERIENCE -			2,846.00
820-000-18140	DEF OUT-CHANGES IN ASSUMPTIONS-			26,578.00
820-000-28130	DEF IN-EXP AND ACT EXPERIENCE -			28,374.00
830-000-18140	DEF OUT-CHANGES IN ASSUMPTIONS-			31,625.00
830-000-28130	DEF IN-EXP AND ACT EXPERIENCE -			33,762.00
Total			<u>429,769.00</u>	<u>429,769.00</u>
Adjusting Journal Entries JE # 9		C.08b		
PBC entry to accrue franchise tax				
010-000-13100	MISC ACCOUNTS RECEIVABLE		54,503.16	
010-000-31210	FRANCHISE TAX REVENUES			54,503.16
Total			<u>54,503.16</u>	<u>54,503.16</u>
Adjusting Journal Entries JE # 10		C.05		
To reclass transfers to component units				
010-105-45400	Transfer to Componet Unit 820		350,000.00	
010-105-45500	Transfer to Component Unit 830		41,000.00	
010-105-45300	OPERATING TRANSFERS			391,000.00
Total			<u>391,000.00</u>	<u>391,000.00</u>
Adjusting Journal Entries JE # 11		I.09a		
To reclass equipment lease to principal and interest				
084-450-45270	Principal		77,098.26	
084-450-45280	Interest		296.94	
084-450-42310	EQUIPMENT & OTHER RENTALS			77,395.20
Total			<u>77,395.20</u>	<u>77,395.20</u>
Adjusting Journal Entries JE # 12		I.09a		
To recognize a new Stryker lease.				
010-312-49040	MACHINERY & EQUIPMENT		1,215,122.08	
010-312-49080	LEASE PURCHASE		134,555.92	
010-000-36980	PROCEEDS FROM CAPITAL LEASES			1,215,122.08
010-312-49040	MACHINERY & EQUIPMENT			134,555.92
Total			<u>1,349,678.00</u>	<u>1,349,678.00</u>
Adjusting Journal Entries JE # 13		MAJ1.02		
To defer a portion of CDBG revenue				
105-000-38490	CDGB GRANT - BAYOU BEND		128,625.01	
105-000-22140	Deferred Inflows			128,625.01
Total			<u>128,625.01</u>	<u>128,625.01</u>