



Required Auditor Disclosure Letter

March 8, 2017

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 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, 2016. Professional standards require that we provide the City Council (the "governing body") with information about our responsibilities under generally accepted auditing standards, 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 8, 2016, 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 management in our engagement letter dated March 8, 2016.

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 pension 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 evaluate 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 disclosures in the financial statements 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 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 8, 2017.

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 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 other supplementary information, which accompanies the financial statements but is 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.

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.

Very truly yours,

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas

Client: City of Deer Park, Texas
Engagement: City of Deer Park 09/30/16
Period Ending: 9/30/2016
Trial Balance: 2.2.01 - TB
Workpaper: 2.6.06 - Adjusting Journal Entries Report

3/15/2017
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Account	Description	Debit	Credit
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Adjusting Journal Entries JE # 1

To adjust property tax receivable, allowance, and deferred revenue as of 9/30/16.

10 000-1110	AD VALOREM TAXES	88,154.18	
20 000-1120	TAXES RECEIVABLE DELINQUENT	33,980.42	
10 000-1121	ALLOWANCE FOR UNCOLL DELINQ		35,001.27
10 000-2500	DEFERRED REVENUES-PROPERTY TAX		53,152.91
20 000-1121	ALLOWANCE FOR UNCOLL DELINQ		13,467.47
20 000-2500	DEFERRED REVENUES-PROPERTY TAX		20,512.95
Total		122,134.60	122,134.60

Adjusting Journal Entries JE # 2

To adjust penalty and interest receivable, allowance, and deferral as of 9/30/16.

10 000-1125	PENALTIES/INTEREST RECEIVABLE	89,465.77	
20 000-1125	PENALTIES/INTEREST RECEIVABLE	35,466.51	
10 000-1126	ALLOWANCE FOR P&I RECEIVABLE		67,099.33
10 000-2505	DEFERRED REVENUE-P&I		22,366.44
20 000-1126	ALLOWANCE FOR P&I RECEIVABLE		26,599.88
20 000-2505	DEFERRED REVENUE-P&I		8,866.63
Total		124,932.28	124,932.28

Adjusting Journal Entries JE # 3

To reclass governmental portion of the 2010 GO Ref bonds 9/15/16 interest payment.

20 900-4528	INTEREST PAYMENTS	35,194.89	
47 000-1420	Due From Fund 20	35,194.89	
20 000-2447	Due To Fund 47		35,194.89
47 900-4528	INTEREST EXPENSE		35,194.89
Total		70,389.78	70,389.78

Adjusting Journal Entries JE # 4

To reclass accrued interest from 2016 Refunding bonds to net against interest expense.

20 900-4525	PAYING AGENT FEES	14,411.46	
20 900-4528	INTEREST PAYMENTS		14,411.46
Total		14,411.46	14,411.46

Adjusting Journal Entries JE # 5

To reverse client entry for Sep. accrual of CSA Constr App#15 (fund 48). To recognize reclass of retainage for change in percentage from 10% to 5%. To recognize Sep. activity separate of retainage reclass.

48 000-2125	RETAINAGE PAYABLE	240,250.98	
48 000-2150	ACCOUNTS PAYABLE - POOLED	162,649.35	
48 505-4903	IMPROVEMENTS OTHER THAN BLDGS	55,510.83	
48 000-2125	RETAINAGE PAYABLE		2,775.54
48 000-2125	RETAINAGE PAYABLE		107,138.52
48 000-2150	ACCOUNTS PAYABLE - POOLED		52,735.29
48 000-2150	ACCOUNTS PAYABLE - POOLED		240,250.98
48 505-4903	IMPROVEMENTS OTHER THAN BLDGS		55,510.83
Total		458,411.16	458,411.16

Adjusting Journal Entries JE # 6

GASB68 JE#1: To reverse prior year D.O. - Contributions After The Measurement Date.

25 750-4197	PENSION EXPENSE	3,754.68	
40 750-4197	PENSION EXPENSE	215,332.30	
82 750-4197	PENSION EXPENSE	22,851.58	
83 750-4197	PENSION EXPENSE	17,225.53	
25 000-1811	DEF OUT - CONTRIBUTIONS		3,754.68
40 000-1811	DEF OUT - CONTRIBUTIONS		215,332.30
82 000-1811	DEF OUT - CONTRIBUTIONS		22,851.58
83 000-1811	DEF OUT - CONTRIBUTIONS		17,225.53
Total		259,164.09	259,164.09

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Account	Description	Debit	Credit
Adjusting Journal Entries JE # 7			
GASB68 JE#2: To recognize the current year amortization of prior year deferred items.			
25 000-2810	DEF IN-ACT EXP VS ASSUMPTION	525.90	
25 750-4197	PENSION EXPENSE	488.43	
40 000-2810	DEF IN-ACT EXP VS ASSUMPTION	16,019.18	
40 750-4197	PENSION EXPENSE	14,877.57	
82 000-2810	DEF IN-ACT EXP VS ASSUMPTION	1,582.87	
82 750-4197	PENSION EXPENSE	1,470.06	
83 000-2810	DEF IN-ACT EXP VS ASSUMPTION	1,722.33	
83 750-4197	PENSION EXPENSE	1,599.58	
25 000-1810	DEF OUT-INVESTMENT EXPERIENCE		1,014.33
40 000-1810	DEF OUT-INVESTMENT EXPERIENCE		30,896.75
82 000-1810	DEF OUT-INVESTMENT EXPERIENCE		3,052.93
83 000-1810	DEF OUT-INVESTMENT EXPERIENCE		3,321.91
Total		38,285.92	38,285.92

Adjusting Journal Entries JE # 8			
GASB68 JE#3: To recognize new deferred items.			
25 000-1810	DEF OUT-INVESTMENT EXPERIENCE	28,214.46	
25 000-1812	D.O. Expected and Actual Experience	419.70	
25 000-1813	D.O. Changes in Assumptions	4,172.90	
40 000-1810	DEF OUT-INVESTMENT EXPERIENCE	859,422.32	
40 000-1812	D.O. Expected and Actual Experience	12,784.09	
40 000-1813	D.O. Changes in Assumptions	127,107.95	
82 000-1810	DEF OUT-INVESTMENT EXPERIENCE	84,920.27	
82 000-1812	D.O. Expected and Actual Experience	1,263.21	
82 000-1813	D.O. Changes in Assumptions	12,559.65	
83 000-1810	DEF OUT-INVESTMENT EXPERIENCE	92,402.18	
83 000-1812	D.O. Expected and Actual Experience	1,374.50	
83 000-1813	D.O. Changes in Assumptions	13,666.22	
25 000-2325	NET PENSION OBLIGATION		32,807.06
40 000-2325	NET PENSION OBLIGATION		999,314.36
82 000-2325	NET PENSION OBLIGATION		98,743.13
83 000-2325	NET PENSION OBLIGATION		107,442.90
Total		1,238,307.45	1,238,307.45

Adjusting Journal Entries JE # 9			
GASB68 JE#4: To recognize pension expense and current year amortizations.			
25 000-2325	NET PENSION OBLIGATION	1,268.64	
25 750-4197	PENSION EXPENSE	5,250.69	
40 000-2325	NET PENSION OBLIGATION	38,643.31	
40 750-4197	PENSION EXPENSE	159,938.10	
82 000-2325	NET PENSION OBLIGATION	3,818.38	
82 750-4197	PENSION EXPENSE	15,803.62	
83 000-2325	NET PENSION OBLIGATION	4,154.80	
83 750-4197	PENSION EXPENSE	17,196.01	
25 000-1810	DEF OUT-INVESTMENT EXPERIENCE		5,642.89
25 000-1812	D.O. Expected and Actual Experience		80.09
25 000-1813	D.O. Changes in Assumptions		796.35
40 000-1810	DEF OUT-INVESTMENT EXPERIENCE		171,884.46
40 000-1812	D.O. Expected and Actual Experience		2,439.71
40 000-1813	D.O. Changes in Assumptions		24,257.24
82 000-1810	DEF OUT-INVESTMENT EXPERIENCE		16,984.05
82 000-1812	D.O. Expected and Actual Experience		241.07
82 000-1813	D.O. Changes in Assumptions		2,396.88
83 000-1810	DEF OUT-INVESTMENT EXPERIENCE		18,480.44
83 000-1812	D.O. Expected and Actual Experience		262.31
83 000-1813	D.O. Changes in Assumptions		2,608.06
Total		246,073.55	246,073.55

Adjusting Journal Entries JE # 10			
GASB68 JE#5: To recognize current year D.O. - Contributions After The Measurement Date.			
25 000-1811	DEF OUT - CONTRIBUTIONS	7,424.77	
40 000-1811	DEF OUT - CONTRIBUTIONS	226,160.97	

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Account	Description	Debit	Credit
82 000-1811	DEF OUT - CONTRIBUTIONS	22,347.16	
83 000-1811	DEF OUT - CONTRIBUTIONS	24,316.06	
25 750-4197	PENSION EXPENSE		7,424.77
40 750-4197	PENSION EXPENSE		226,160.97
82 750-4197	PENSION EXPENSE		22,347.16
83 750-4197	PENSION EXPENSE		24,316.06
Total		280,248.96	280,248.96

Adjusting Journal Entries JE # 11

To reclass allowance related to clients bad debt AR reclass. Adjustment necessary so inactive AR and allowance net to zero.

10 000-1211	ALLOWANCE FOR DOUBTFUL ACCTS	864.98	
40 000-1211	ALLOWANCE FOR DOUBTFUL ACCTS	23,014.66	
10 000-1221	ALLOWANCE FOR INACTIVE ACCTS		864.98
40 000-1221	ALLOWANCE FOR INACTIVE ACCTS		23,014.66
Total		23,879.64	23,879.64

Adjusting Journal Entries JE # 12

PBC - Accrue Touchstone Receivable JE# 037134.

84 000-1210	ACCOUNTS RECEIVABLE	55,305.31	
84 000-3716	GOLF COURSE RENT PAYMENT	10,000.00	
84 000-3718	GOLF COURSE EQUIPMENT REIMB		20,050.14
84 703-4212	UTILITIES ELECTRICITY		43,485.00
84 703-4303	OPERATIONAL SUPPLIES		29.10
84 703-4404	BUILDING		1,532.14
84 703-4409	AIR CONDITIONER		123.29
84 703-4412	GROUNDS		85.64
Total		65,305.31	65,305.31

Adjusting Journal Entries JE # 13

PBC - Reclass entry fund 22 JE# 037097.

22 659-4240	CONSULTANT FEE	1,530.00	
22 658-4240	CONSULTANT FEE		1,530.00
Total		1,530.00	1,530.00

Adjusting Journal Entries JE # 14

PBC - Reclass entry JE Packet # 04186.

10 000-1483	DUE FROM FUND 83	15,180.00	
10 000-1613	TRAVEL ADVANCES	1,000.00	
10 000-3119	ATTORNEY FEES	42,722.09	
10 000-3510	INSTRUCTION CLASS FEES	10,070.00	
10 000-3511	BUILDING RENTAL FEE	600.00	
10 000-3513	ADMISSION FEE	7,332.00	
10 000-3517	ATHLETIC LEAGUE FEES	13,250.00	
10 103-4348	BOOKS	99.49	
10 105-4530	OPERATING TRANSFERS	196,218.14	
10 202-4201	PUBLIC NOTICES	555.90	
10 202-4303	OPERATIONAL SUPPLIES	723.90	
10 202-4348	BOOKS	101.00	
10 300-4405	RADIO	2,737.78	
10 305-4303	OPERATIONAL SUPPLIES	8,060.57	
10 401-4231	EQUIPMENT & OTHER RENTALS	1,554.89	
10 415-4303	OPERATIONAL SUPPLIES	17,300.88	
10 415-4904	MACHINERY & EQUIPMENT	6,662.67	
14 000-1000	CLAIM ON POOLED CASH	196,218.14	
28 000-1780	CONSTRUCTION IN PROGRESS	86,593.00	
48 000-1000	CLAIM ON POOLED CASH	86,593.00	
83 304-4290	CONTRACT LABOR	15,180.00	
10 000-1000	CLAIM ON POOLED CASH		196,218.14
10 000-3529	AQUATIC PROGRAM FEES		25,977.00
10 000-3530	POOL RENTAL FEES		5,275.00
10 101-4250	TRAINING & TRAVEL		1,000.00
10 103-4252	DUES & FEES		99.49
10 106-4293	SPECIAL SERVICES CITY ATTORNEY		42,722.09

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Account	Description	Debit	Credit
10 202-4250	TRAINING & TRAVEL		530.00
10 202-4252	DUES & FEES		101.00
10 202-4301	OFFICE SUPPLIES		749.80
10 300-4402	MACHINERY & EQUIPMENT		2,737.78
10 304-4290	CONTRACT LABOR		15,180.00
10 304-4303	OPERATIONAL SUPPLIES		8,060.57
10 404-4231	EQUIPMENT & OTHER RENTALS		1,554.89
10 415-4290	CONTRACT LABOR		12,169.16
10 415-4308	SMALL TOOLS & MINOR EQUIPMENT		11,794.39
14 000-3640	PRIOR YEAR REVENUE		196,218.14
28 000-1000	CLAIM ON POOLED CASH		86,593.00
48 000-1780	CONSTRUCTION IN PROGRESS		86,593.00
83 000-2410	DUE TO FUND 10		15,180.00
Total		708,753.45	708,753.45

Adjusting Journal Entries JE # 15

To adjust accumulated depreciation/depreciation expense to tie to capital asset detail.

40 900-4536	DEPRECIATION	300.34	
46 900-4536	DEPRECIATION	251,754.95	
40 000-1741	ACCUM DEPR IMPROVEMENTS		300.34
46 000-1741	ACCUM DEPR IMPROVEMENTS		251,754.95
Total		252,055.29	252,055.29

Adjusting Journal Entries JE # 16

PBC - Reclass entry. Packet # 04215.

10 000-1000	CLAIM ON POOLED CASH	36,485.68	
10 415-4303	OPERATIONAL SUPPLIES	338.09	
10 417-4311	UNIFORMS	1,715.44	
11 603-4303	OPERATIONAL SUPPLIES	36,485.68	
10 417-4303	OPERATIONAL SUPPLIES		38,539.21
11 000-1000	CLAIM ON POOLED CASH		36,485.68
Total		75,024.89	75,024.89

Adjusting Journal Entries JE # 17

PBC - Reclass entry. JE Packet # 04213.

10 300-4101	SALARIES FULL TIME	2,569.18	
10 300-4104	SALARIES OVERTIME	26,964.82	
19 000-1000	CLAIM ON POOLED CASH	23,220.89	
19 104-4903	Improvements Other Than Bldgs	6,313.11	
23 410-4942	CONSULTING ARCHITECT FEE	425.00	
10 000-1000	CLAIM ON POOLED CASH		22,795.89
10 200-4903	IMPROVEMENTS OTHER THAN BLDGS		6,313.11
10 410-4290	CONTRACT LABOR		425.00
19 300-4101	SALARIES FULL TIME		2,569.18
19 300-4104	SALARIES OVERTIME		26,964.82
23 000-1000	CLAIM ON POOLED CASH		425.00
Total		59,493.00	59,493.00

Adjusting Journal Entries JE # 18

PBC - Bond fund expenditure Adjs. JE Packet # 04216.

10 105-4108	HEALTH/LIFE INSURANCE	41,257.27	
10 105-4530	OPERATING TRANSFERS	98,081.44	
27 900-4530	OPERATING TRANSFERS	1,038,467.64	
31 900-4530	OPERATING TRANSFERS	109,164.56	
34 900-4530	OPERATING TRANSFERS	255,461.27	
35 000-1000	CLAIM ON POOLED CASH	1,299,464.27	
35 900-4530	OPERATING TRANSFERS	44,681.04	
40 506-4108	HEALTH/LIFE INSURANCE	7,919.28	
10 000-1000	CLAIM ON POOLED CASH		98,081.44
10 750-4108	HOSPITALIZATION		41,257.27
27 000-1000	CLAIM ON POOLED CASH		1,038,467.64
31 000-1000	CLAIM ON POOLED CASH		59,887.92
31 000-3640	TRANSFER FROM OTHER FUNDS		49,276.64
34 000-1000	CLAIM ON POOLED CASH		103,027.27

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Account	Description	Debit	Credit
34 000-3640	Transfer From Other Funds		152,434.00
35 000-3640	Transfer From Other Funds		1,344,145.31
40 750-4108	HOSPITALIZATION		7,919.28
Total		2,894,496.77	2,894,496.77

Adjusting Journal Entries JE # 19

To adjust ambulance AR/allowance at 9/30/16.

10 000-1331	ALLOWANCE-AMBULANCE	485,946.93	
10 000-2530	DEFERRED REVENUE-AMBULANCE	50,816.48	
10 000-1330	ACCOUNTS RECEIVABLE-AMBULANCE		536,763.41
Total		536,763.41	536,763.41

Adjusting Journal Entries JE # 20

To adjust court fines/fees receivable and allowance accounts to tie to court's system as of 9/30/16.

10 000-1651	ACCOUNTS RECEIVABLE-FINES	71,499.06	
10 000-1650	ALLOWANCE-FINES & FORFEITURES		53,624.29
10 000-2560	DEFERRED REVENUE-FINES		17,874.77
Total		71,499.06	71,499.06

Adjusting Journal Entries JE # 21

To reclass transfers from fiduciary fund to net against related expenditures the fund is reimbursing for.

10 000-3642	TRANSFER FROM SPECIAL REVENUE	25,000.00	
10 900-4999	PR YR EXPENDITURE		25,000.00
Total		25,000.00	25,000.00