



Required Auditor Disclosure Letter

March 12, 2018

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, 2017. 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 15, 2017, 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 15, 2017.

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 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 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 12, 2018.

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.

We were not engaged to report on the introductory and statistical sections, 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.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas

Client: **City of Deer Park, Texas**
Engagement: **City of Deer Park 09/30/17**
Period Ending: **9/30/2017**
Trial Balance: **2.2.01 - TB**
Workpaper: **2.6.06 - Adjusting Journal Entries Report**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
To correct fund balance in general fund and HOT fund.			
10 000-2630	UNASSIGNED FUND BALANCE	1,629.92	
11 000-1000	CLAIM ON POOLED CASH	1,629.92	
10 000-1000	CLAIM ON POOLED CASH		1,629.92
11 000-2630	FUND BALANCE		1,629.92
Total		3,259.84	3,259.84

Adjusting Journal Entries JE # 2			
To adjust property tax receivable, allowance, and deferred revenue to tie annual property tax report.			
10 000-1121	ALLOWANCE FOR UNCOLL DELINQ	52,613.51	
10 000-1126	ALLOWANCE FOR P&I RECEIVABLE	12,148.68	
10 000-2500	DEFERRED REVENUES-PROPERTY	35,203.58	
10 000-2505	DEFERRED REVENUE-P&I	4,049.56	
20 000-1121	ALLOWANCE FOR UNCOLL DELINQ	20,341.58	
20 000-1126	ALLOWANCE FOR P&I RECEIVABLE	7,387.58	
20 000-2500	DEFERRED REVENUES-PROPERTY	14,845.24	
20 000-2505	DEFERRED REVENUE-P&I	2,462.52	
10 000-1120	TAXES RECEIVABLE DELINQUENT		87,817.09
10 000-1125	PENALTIES/INTEREST RECEIVABLE		16,198.24
20 000-1120	TAXES RECEIVABLE DELINQUENT		35,186.82
20 000-1125	PENALTIES/INTEREST RECEIVABLE		9,850.10
Total		149,052.25	149,052.25

Adjusting Journal Entries JE # 3			
To adjust outstanding fines AR, allowance, and deferred revenues as of 9/30/17.			
10 000-1651	ACCOUNTS RECEIVABLE-FINES	152,907.59	
10 000-1650	ALLOWANCE-FINES & FORFEITURES		114,680.69
10 000-2560	DEFERRED REVENUE-FINES		38,226.90
Total		152,907.59	152,907.59

Adjusting Journal Entries JE # 4			
To adjust industrial taxes allowance and deferred revenue as of 9/30/17.			
10 000-2510	DEFERRED REVENUE-INDUSTRIAL	21,688.57	
10 000-3102	INDUSTRIAL DISTRICT REVENUE	689.11	
10 000-1140	INDUSTRIAL TAXES DELINQUENT		2.30
10 000-1141	ALLOWANCE FOR UNCOLL DELINQ		21,688.57
10 000-2510	DEFERRED REVENUE-INDUSTRIAL		686.81
Total		22,377.68	22,377.68

Adjusting Journal Entries JE # 5			
GASB 68 JE#1: To reverse prior year deferred outflows - contributions after the measurement date.			
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	
25 000-1811	DEF OUT - CONTRIBUTIONS		7,424.77
40 000-1811	DEF OUT - CONTRIBUTIONS		226,160.97
82 000-1811	DEF OUT - CONTRIBUTIONS		22,347.16
83 000-1811	DEF OUT - CONTRIBUTIONS		24,316.06
Total		280,248.96	280,248.96

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Account	Description	Debit	Credit
Adjusting Journal Entries JE # 6			
GASB 68 JE#2: Current year amortization of prior year deferred items.			
25 000-2810	DEF IN-ACT EXP VS ASSUMPTION	529.20	
25 750-4197	PENSION EXPENSE	7,051.70	
40 000-2810	DEF IN-ACT EXP VS ASSUMPTION	15,836.51	
40 750-4197	PENSION EXPENSE	211,024.95	
82 000-2810	DEF IN-ACT EXP VS ASSUMPTION	1,342.82	
82 750-4197	PENSION EXPENSE	17,893.42	
83 000-2810	DEF IN-ACT EXP VS ASSUMPTION	2,411.52	
83 750-4197	PENSION EXPENSE	32,133.97	
25 000-1810	DEF OUT-INVESTMENT EXPERIENCE		6,698.95
25 000-1812	DEF OUT-EXP AND ACT EXPERIENCE		80.60
25 000-1813	DEF OUT-CHANGES IN ASSUMPTIONS		801.35
40 000-1810	DEF OUT-INVESTMENT EXPERIENCE		200,468.93
40 000-1812	DEF OUT-EXP AND ACT EXPERIENCE		2,411.89
40 000-1813	DEF OUT-CHANGES IN ASSUMPTIONS		23,980.64
82 000-1810	DEF OUT-INVESTMENT EXPERIENCE		16,998.34
82 000-1812	DEF OUT-EXP AND ACT EXPERIENCE		204.51
82 000-1813	DEF OUT-CHANGES IN ASSUMPTIONS		2,033.39
83 000-1810	DEF OUT-INVESTMENT EXPERIENCE		30,526.55
83 000-1812	DEF OUT-EXP AND ACT EXPERIENCE		367.27
83 000-1813	DEF OUT-CHANGES IN ASSUMPTIONS		3,651.67
Total		288,224.09	288,224.09

Adjusting Journal Entries JE # 7

GASB 68 JE#3: Recognize new deferred items for FY17.

25 000-2325	NET PENSION OBLIGATION	102.36	
40 000-2325	NET PENSION OBLIGATION	3,063.06	
82 000-2325	NET PENSION OBLIGATION	259.73	
83 000-2325	NET PENSION OBLIGATION	466.43	
25 000-1810	DEF OUT-INVESTMENT EXPERIENCE		30.12
25 000-2810	DEF IN-ACT EXP VS ASSUMPTION		72.24
40 000-1810	DEF OUT-INVESTMENT EXPERIENCE		901.22
40 000-2810	DEF IN-ACT EXP VS ASSUMPTION		2,161.84
82 000-1810	DEF OUT-INVESTMENT EXPERIENCE		76.42
82 000-2810	DEF IN-ACT EXP VS ASSUMPTION		183.31
83 000-1810	DEF OUT-INVESTMENT EXPERIENCE		137.23
83 000-2810	DEF IN-ACT EXP VS ASSUMPTION		329.20
Total		3,891.58	3,891.58

Adjusting Journal Entries JE # 8

GASB 68 JE#4: To recognize pension expense and current year amortizations.

25 000-1810	DEF OUT-INVESTMENT EXPERIENCE	6.02	
25 000-2810	DEF IN-ACT EXP VS ASSUMPTION	13.53	
25 750-4197	PENSION EXPENSE	1,266.84	
40 000-1810	DEF OUT-INVESTMENT EXPERIENCE	180.24	
40 000-2810	DEF IN-ACT EXP VS ASSUMPTION	404.84	
40 750-4197	PENSION EXPENSE	37,910.83	
82 000-1810	DEF OUT-INVESTMENT EXPERIENCE	15.28	
82 000-2810	DEF IN-ACT EXP VS ASSUMPTION	34.33	
82 750-4197	PENSION EXPENSE	3,214.57	
83 000-1810	DEF OUT-INVESTMENT EXPERIENCE	27.45	
83 000-2810	DEF IN-ACT EXP VS ASSUMPTION	61.65	
83 750-4197	PENSION EXPENSE	5,772.89	
25 000-2325	NET PENSION OBLIGATION		1,286.39
40 000-2325	NET PENSION OBLIGATION		38,495.91
82 000-2325	NET PENSION OBLIGATION		3,264.18

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83 000-2325	NET PENSION OBLIGATION		5,861.99
Total		48,908.47	48,908.47

Adjusting Journal Entries JE # 9

GASB 68 JE#5: To recognize deferred outflows - contributions after the measurement date for FY17.

25 000-1811	DEF OUT - CONTRIBUTIONS	7,983.69	
40 000-1811	DEF OUT - CONTRIBUTIONS	238,915.58	
82 000-1811	DEF OUT - CONTRIBUTIONS	20,258.34	
83 000-1811	DEF OUT - CONTRIBUTIONS	36,381.04	
25 750-4197	PENSION EXPENSE		7,983.69
40 750-4197	PENSION EXPENSE		238,915.58
82 750-4197	PENSION EXPENSE		20,258.34
83 750-4197	PENSION EXPENSE		36,381.04
Total		303,538.65	303,538.65

Adjusting Journal Entries JE # 10

To adjust ambulance AR, allowance, and def. rev. to match reports as of 9/30/17.

10 000-1330	ACCOUNTS RECEIVABLE-AMBULANCE	54,389.09	
10 000-2530	DEFERRED REVENUE-AMBULANCE	18,814.73	
10 000-1331	ALLOWANCE-AMBULANCE		73,203.82
Total		73,203.82	73,203.82

Adjusting Journal Entries JE # 11

To reclass attorney related property tax collections to net against related payments.

10 000-3119	ATTORNEY FEES	52,119.73	
10 106-4293	SPECIAL SERVICES CITY ATTORNEY		52,119.73
Total		52,119.73	52,119.73

Adjusting Journal Entries JE # 12

To reclass transfer 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