



Required Auditor Disclosure Letter

April 14, 2020

To the Honorable Mayor and
City Council Members of the
City of Bunker Hill Village, Texas:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bunker Hill Village, Texas, (the “City”), for the year ended December 31, 2019. 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 November 27, 2019, 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 the governing body in our engagement letter dated November 27, 2019.

III. Significant Audit Findings

I. 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 as 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 net pension and total other postemployment benefits 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. 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 April 14, 2020.

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.

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.

The logo for Belt Harris Pechacek, LLLP features the company name in a stylized, cursive font. The letters 'B', 'H', and 'P' are significantly larger and more ornate than the other letters, which are in a smaller, simpler font. The 'L' and 'L' at the end are also stylized.

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas

Client: **City of Bunker Hill Village, Texas**
 Engagement: **4.1 - Bunker Hill Village 12/31/19**
 Period Ending: **12/31/2019**
 Trial Balance: **2.2.01 - TB**
 Workpaper: **2.5.06 - Adjusting Journal Entries Report - 2**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1				
		J.01		
To correct beginning fund balance in fund 04 and 07				
04-00-00-3010	Fund Balance		138,510.36	
07-00-00-1001	Cash in Bank		138,510.36	
04-00-00-1001	Cash in Bank			138,510.36
07-00-00-3010	FUND BALANCE			138,510.36
Total			277,020.72	277,020.72
Adjusting Journal Entries JE # 2				
		TB		
To reclass expense per client.				
10-00-00-8820	Streets - Lighting		11,235.00	
10-00-00-9180	Capital Infrastructur			11,235.00
Total			11,235.00	11,235.00
Adjusting Journal Entries JE # 3				
		C.01		
To adjust property tax accounts to reflect balances as of 12/31/19.				
01-00-00-1039	Cash Held by Tax Asse		342,014.15	
01-00-00-1210	A/R - Property Taxes		692,277.98	
01-00-00-4010	Taxes - Current Year		57,131.40	
03-00-00-2820	Unearned Income		328,957.12	
03-00-01-1990	DueTo/From G & A Fund		89,036.90	
01-00-00-2820	Unearned Income			1,002,386.63
01-00-03-1990	DueTo/From Debt Service Fund			89,036.90
03-00-00-1039	Cash Held by Tax Asse			51,239.93
03-00-00-1210	A/R - Property Taxes			321,189.36
03-00-00-4010	Taxes - Current Year			45,564.73
Total			1,509,417.55	1,509,417.55
Adjusting Journal Entries JE # 4				
		TB		
Client requested entry - To adjust fund balance - reserves to actual.				
01-00-00-1001	Cash in Bank		165,000.00	
01-00-00-3010	Fund Balance - G & A		945,871.42	
01-00-00-1055	Reserve -Emergency Ma			165,000.00
01-00-00-3013	Fund Balance - Formal			945,871.42
Total			1,110,871.42	1,110,871.42
Adjusting Journal Entries JE # 5				
		TB		
Client requested entry - To adjust capital transfer.				
01-00-00-1001	Cash in Bank		836,000.00	
06-00-00-4600	Contributions from Re		836,000.00	
01-00-00-9250	Capital Reserves			836,000.00
06-00-00-1001	Cash in Bank			836,000.00
Total			1,672,000.00	1,672,000.00

Adjusting Journal Entries JE # 6

J.02

To reclass restricted balances in court fund to reflect actuals as of 12/31/19 and to reclass excess court technology expenditures to the general fund.

05-00-00-1001	Cash in Bank	16,980.68	
05-00-00-3012	Child Safety	11,183.00	
05-00-00-3016	Security Fund	3,765.00	
05-00-00-1018	Child Safety		13,173.72
05-00-00-1019	Security Fund		3,806.96
05-00-00-3010	FUND BALANCE		14,948.00
Total		31,928.68	31,928.68

Adjusting Journal Entries JE # 7

To reclass general fund assigned fund balance to unassigned fund balance to maintain 6 months of expenditures in unassigned fund balance per City policy.

01-00-00-3013	Fund Balance - Formal	2,080,991.00	
01-00-00-3010	Fund Balance - G & A		2,080,991.00
Total		2,080,991.00	2,080,991.00

Adjusting Journal Entries JE # 8

A.07

Client requested entry - To record administrative assistant's petty cash

01-00-00-1082	Petty Cash - Admin. Assist.	100.00	
01-00-00-1081	Petty Cash - G&A		100.00
Total		100.00	100.00

Adjusting Journal Entries JE # 9

H.01

To reclass capital assets recorded in wrong account in fund 04.

04-00-00-1660	Automotive Equipment	62,484.00	
04-00-00-1670	Furniture & Fixtures	11,260.00	
04-00-00-7410	Vehicles		62,484.00
04-00-00-7510	Water - Fire Hydrants		11,260.00
Total		73,744.00	73,744.00

Adjusting Journal Entries JE # 10

H.02

To reclass capital assets from Fund 07 to Fund 04.

04-00-00-1625	Construction in Progr	420,039.05	
04-00-00-1830	Capital Improvements	76,352.00	
04-00-00-1830	Capital Improvements	179,758.39	
04-00-00-1830	Capital Improvements	142,869.00	
04-00-00-1830	Capital Improvements	466,199.41	
07-00-00-6004	Transfer Out	674,622.40	
07-00-00-6004	Transfer Out	142,869.00	
07-00-01-1620	Dep. Acum. Buildings & Improvements	1,527.04	
04-00-00-1625	Construction in Progr		466,199.41
04-00-00-5007	Transfer In		674,622.40
04-00-00-5007	Transfer In		142,869.00
04-00-01-1830	Accum Depr-Infras-Uti		1,527.04
07-00-00-1620	BUILDING & IMPROVEMEN		179,758.39
07-00-00-1620	BUILDING & IMPROVEMEN		76,352.00
07-00-00-1620	BUILDING & IMPROVEMEN		142,869.00
07-00-00-1625	Construction in Progress		420,039.05
Total		2,104,236.29	2,104,236.29

Adjusting Journal Entries JE # 11		H.01		
To record depreciation expense.				
04-00-00-9200	Depreciation & Amortization		409,336.11	
07-00-00-1620	BUILDING & IMPROVEMEN		1,527.04	
04-00-01-1620	Accum Depr - Building			25,956.21
04-00-01-1650	Accum Depr - Mach & E			4,238.66
04-00-01-1660	Accum Depr - Automoti			10,184.91
04-00-01-1670	Accum Depr - Furnitur			1,126.01
04-00-01-1830	Accum Depr-Infras-Uti			367,830.32
07-00-01-1620	Dep. Acum. Buildings & Improvements			1,527.04
Total			<u>410,863.15</u>	<u>410,863.15</u>
Adjusting Journal Entries JE # 12		F.06		
GASB 68 JE#1				
04-00-00-5210	Retirement - TMRS Emp		41,179.79	
04-00-00-1900	DEF. OUTFLOWS-CONTR S			41,179.79
Total			<u>41,179.79</u>	<u>41,179.79</u>
Adjusting Journal Entries JE # 13		F.06		
GASB 68 JE#2				
04-00-00-5210	Retirement - TMRS Emp		25,910.80	
04-00-00-1901	DEF. OUTFLOWS-DIFF. I			18,287.05
04-00-00-1902	DEF. OUTFLOWS- DIFF.			2,012.46
04-00-00-1904	DEF. OUTFLOWS- DIFF I			5,611.29
Total			<u>25,910.80</u>	<u>25,910.80</u>
Adjusting Journal Entries JE # 14		F.06		
GASB 68 JE#3				
04-00-00-1902	DEF. OUTFLOWS- DIFF.		182,915.37	
04-00-00-1905	NET PENSION LIABILITY			120,913.09
04-00-00-1909	Def.Inf - Difference in Exp & Actual Experience			62,002.28
Total			<u>182,915.37</u>	<u>182,915.37</u>
Adjusting Journal Entries JE # 15		F.06		
GASB 68 JE#4				
04-00-00-1905	NET PENSION LIABILITY		4,221.70	
04-00-00-1909	Def.Inf - Difference in Exp & Actual Experience		22,143.67	
04-00-00-5210	Retirement - TMRS Emp		36,957.73	
04-00-00-5210	Retirement - TMRS Emp		14,439.40	
04-00-00-1902	DEF. OUTFLOWS- DIFF.			36,583.07
04-00-00-5210	Retirement - TMRS Emp			41,179.43
Total			<u>77,762.50</u>	<u>77,762.50</u>
Adjusting Journal Entries JE # 16		F.06		
GASB 68 JE#5				
04-00-00-1900	DEF. OUTFLOWS-CONTR S		47,674.46	
04-00-00-5210	Retirement - TMRS Emp			47,674.46
Total			<u>47,674.46</u>	<u>47,674.46</u>

Adjusting Journal Entries JE # 17

H.02

To capitalize expenditures in Fund 07.

07-00-00-1620	BUILDING & IMPROVEMEN	179,758.39	
07-00-00-1620	BUILDING & IMPROVEMEN	142,869.00	
07-00-00-1625	Construction in Progress	420,039.05	
07-00-00-9180	Water & Wastewater		494,864.41
07-00-00-9180	Water & Wastewater		142,869.00
07-00-00-9182	Water Production		104,933.03
Total		742,666.44	742,666.44
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	Total Adjusting Journal Entries	10,400,517.17	10,400,517.17
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	Total All Journal Entries	10,400,517.17	10,400,517.17
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