



Required Auditor Disclosure Letter Planning

February 1, 2024

To the Honorable Mayor and
City Council Members of the
City of New Braunfels, Texas:

We are engaged to audit 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 New Braunfels, 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.

I. Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 3, 2023, 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.

Generally accepted accounting principles provide for certain Required Supplementary Information (RSI) to supplement the basic financial statements. Our responsibility with respect to the Management's Discussion and Analysis, budgetary comparison schedules, schedules of changes in net pension and total other postemployment benefits liability and related ratios, and schedule of contributions, which supplement the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient appropriate evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have been engaged to report on the equity schedule, which accompany the financial statements but are not RSI. Our responsibility for this supplementary information, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

We have not been engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. Our responsibility with respect to this other information in documents containing the audited financial statements and auditors' report does not extend beyond the financial information identified in the report. We have no responsibility for determining whether this information is properly stated. This other information will not be audited and we will not express an opinion or provide any assurance on it.

II. Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgement about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on the behalf of the entity. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We have identified the following significant risks of material misstatement as part of our audit planning: risk that payroll liabilities for full accrual statements will be misstated as they relate to the recording of pension and other postemployment benefits liabilities and related activity; changes related to the implementation of new Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*; proper recording of capital projects in process, management override of controls; and revenue recognition.

We expect to begin our audit as soon as management has closed the fiscal year and provided a clean trial balance and applicable items as noted on the auditor provided needs list. Information for the audit is needed a minimum of 90 days in advance of the desired meeting date.

Should any matters be reported through the related party questionnaires regarding concerns of fraud or other financial reporting concerns that require auditor follow up, this will result in an increase in fees charged for the audit based on actual time expended.

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.

The logo for Belt Harris Pechacek, LLP features the company name in a stylized, serif font. The letters 'B', 'H', and 'P' are significantly larger and more ornate than the other letters, which are in a smaller, simpler serif font. The text 'BELT HARRIS PECHACEK, LLP' is written in all caps.

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