



Required Auditor Disclosure Letter Conclusion of Audit

May 10, 2023

To the Honorable County Judge and
Members of the Commissioners' Court of
Polk County, Texas:

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Polk County, Texas (the "County") for the year ended September 30, 2022. Professional standards require that we provide the Commissioners' Court (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 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 County are described in the notes to the financial statements. As described in the notes to the financial statements, the County changed accounting policies related to accounting for leases by adopting Governmental Accounting Standards Statement No. 87, *Leases*, in fiscal year 2022. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Net Position and the Statement of Activities. We noted no transactions entered into by the County 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 County and District Retirement System (TCDRS) 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 County to TCDRS.

Estimates are used in the calculation of the health care liability for other postemployment benefits. The County 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 County'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 the audit, however, a concern over timing was noted. The date of completion of an audit is largely dependent on the date that complete and accurate information is provided to the auditors and the timeliness of responding to additional audit inquiries. The timeline for completion of the County's audit was extended beyond the originally scheduled time allotted for the audit because of the absence of complete and accurate information by the agreed upon start date and/or as additional audit inquiries were made. Such delays result in an increased risk of not meeting deadlines required by statutes and regulations, grantor requirements, continuing disclosure obligations, and/or the governing body's expectation.

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. 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 May 10, 2023.

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 County'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 County'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

No changes in risk assessment were noted in the completion of the audit as previously communicated in our planning letter.

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 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.

III. Restrictions on Use

This information is intended solely for the use of the County Judge, Commissioners' Court, 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: **Polk County, Texas**
 Engagement: **4.1 - Polk County 9/30/22**
 Period Ending: **9/30/2022**
 Trial Balance: **2.2.01 - TB**
 Workpaper: **2.5.06 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To correct balances in fund and transfer to new fund.				
012-207-207400	COKE MACHINE FUND PAYABLES		1,377.36	
012-7500-1500	Distributions to others		98.45	
012-8700-0130	TRANSFER OUT		33,469.28	
084-330-6000	INMATE REVENUES		33,469.28	
012-271-271000	FUND BALANCE			34,945.09
084-370-7012	TRANSFER IN			33,469.28
Total			68,414.37	68,414.37
Adjusting Journal Entries JE # 2				
To correct tax note entry.				
010-1409-5530	BOND ISSUANCE COST		111,734.00	
010-390-9400	TAX NOTES/LOAN PROCEEDS		6,437.67	
010-341-4200	Interest on Tax Bonds			6,437.67
010-390-9400	TAX NOTES/LOAN PROCEEDS			111,734.00
Total			118,171.67	118,171.67
Adjusting Journal Entries JE # 3				
Client AJE. To correct due to dist clerk records and tax assessor accounts.				
087-207-207010	DUE TO TAX ASSESSOR		16,574.91	
087-207-207010	DUE TO TAX ASSESSOR		1,439,496.19	
087-207-207010	DUE TO TAX ASSESSOR		108,231,312.41	
087-7298-7298	Tax office expenses		107,907,557.80	
094-8700-0980	TRANSFER TO DIST CLRK RECORDS MGT		3,511.00	
087-207-207010	DUE TO TAX ASSESSOR			107,907,557.80
087-370-1254	Interest			16,574.91
087-370-207010	Tax Office revenues			1,439,496.19
087-370-207010	Tax Office revenues			108,231,312.41
094-340-4700	DISTRICT CLERK FEES			3,511.00
Total			217,598,452.31	217,598,452.31
Adjusting Journal Entries JE # 4				
To record current year property tax activity.				
010-105-105000	TAXES RECEIVABLE		44,361.44	
010-105-105100	UNCOLLECTIBLE TAX ALLOWANCE		2,697.86	
021-105-105000	TAXES RECEIVABLE		3,276.43	
021-105-105100	UNCOLLECTIBLE TAX ALLOWANCE		255.99	
022-105-105000	TAXES RECEIVABLE		3,264.21	
022-105-105100	UNCOLLECTIBLE TAX ALLOWANCE		255.03	
023-105-105000	TAXES RECEIVABLE		3,935.24	
023-105-105100	UNCOLLECTIBLE TAX ALLOWANCE		307.46	
024-105-105000	TAXES RECEIVABLE		3,772.87	
024-105-105100	UNCOLLECTIBLE TAX ALLOWANCE		294.77	
061-105-105100	UNCOLLECTIBLE TAX ALLOWANCE		1,739.41	
061-233-233100	DEFERRED REVENUE		14,427.63	
010-233-233100	DEFERRED REVENUE			40,290.74
010-310-1110	TAXES - CURRENT			6,768.56
021-233-233100	DEFERRED REVENUE			3,532.42
022-233-233100	DEFERRED REVENUE			3,519.24
023-233-233100	DEFERRED REVENUE			4,242.71
024-233-233100	DEFERRED REVENUE			4,067.64
061-105-105000	TAXES RECEIVABLE			16,167.03
Total			78,588.34	78,588.34

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Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 5				
To correct salaries payable from pooled cash.				
010-101-101199	CLAIM ON CASH - POOLED CASH		99,132.22	
021-101-101199	CLAIM ON CASH - POOLED CASH		3,635.36	
022-101-101199	CLAIM ON CASH - POOLED CASH		4,714.97	
023-101-101199	CLAIM ON CASH - POOLED CASH		5,137.72	
024-101-101199	CLAIM ON CASH - POOLED CASH		5,614.83	
027-101-101199	CLAIM ON CASH - POOLED CASH		1,114.50	
048-101-101199	CLAIM ON CASH - POOLED CASH		2,450.23	
051-101-101199	CLAIM ON CASH - POOLED CASH		1,826.19	
101-101-101199	CLAIM ON CASH - POOLED CASH		8,947.06	
185-101-101199	CLAIM ON CASH - POOLED CASH		4,325.15	
010-202-202100	SALARIES PAYABLE			99,132.22
021-202-202100	SALARIES PAYABLE			3,635.36
022-202-202100	SALARIES PAYABLE			4,714.97
023-202-202100	SALARIES PAYABLE			5,137.72
024-202-202100	SALARIES PAYABLE			5,614.83
027-202-202100	SALARIES PAYABLE			1,114.50
048-202-202100	SALARIES PAYABLE			2,450.23
051-202-202100	SALARIES PAYABLE			1,826.19
101-202-202100	SALARIES PAYABLE			8,947.06
185-202-202000	ACCOUNTS PAYABLE			4,325.15
Total			136,898.23	136,898.23
Adjusting Journal Entries JE # 6				
To record jail inmate phone card end of fiscal year.				
010-115-115000	ACCOUNTS RECEIVABLE		83,193.91	
010-229-229300	IAH PHONE CARD PAYABLES			83,193.91
Total			83,193.91	83,193.91
Adjusting Journal Entries JE # 7				
To adjust unearned revenue in grant fund.				
035-233-233100	DEFERRED REVENUE		241.11	
035-233-233100	DEFERRED REVENUE		24,249.64	
035-331-3170	TOBACCO ENFORCEMENT GRANT (TEP)			24,249.64
035-331-3550	REBUILD TX GRANT SHERIFF BOAT			241.11
Total			24,490.75	24,490.75
Adjusting Journal Entries JE # 8				
To correct deposit that has not cleared bank reconciliation - (Investigation pending)				
084-330-6000	INMATE REVENUES		19,555.38	
084-101-101100	CASH IN BANK-JAIL INMATE CUSTODIAL			19,555.38
Total			19,555.38	19,555.38

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 Workpaper: **2.5.06 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 9				
To record GASB 87 lease payments to principal and interest.				
010-73005690	Interest		24.18	
010-73005690	Interest		294.35	
010-73005690	Interest		440.30	
010-73005700	Lease financing principal		10,775.82	
010-73005700	Lease financing principal		14,955.22	
010-73005700	Lease financing principal		28,705.69	
021-73005690	Interest		380.16	
021-73005700	Lease financing principal		17,252.81	
010-1409-3290	COPY/POSTAGE MACHINE EXPENSE			29,000.04
010-1691-4660	LEASE PAYMENTS			10,800.00
010-1691-4660	LEASE PAYMENTS			15,395.52
021-6621-4660	LEASE PAYMENTS			17,632.97
Total			72,828.53	72,828.53

Adjusting Journal Entries JE # 10

To record GASB 87 Lessor entries.

010-105-106000	LEASE RECEIVABLE		421,643.00	
010-233-233200	DEFERRED INFLOW LEASES		34,862.00	
010-370-7100	RENT - COUNTY PROPERTY		37,146.00	
092-105-106000	LEASE RECEIVABLE		2,244,365.00	
092-233-233200	DEFERRED INFLOW LEASES		230,191.00	
092-370-7200	REVENUE - LEASES		237,091.00	
010-105-106000	LEASE RECEIVABLE			34,325.00
010-233-233200	DEFERRED INFLOW LEASES			421,643.00
010-370-7150	INTEREST INCOME			2,821.00
010-370-7151	AMORTIZATION REVENUE			34,862.00
092-105-106000	LEASE RECEIVABLE			237,057.00
092-233-233200	DEFERRED INFLOW LEASES			2,244,365.00
092-370-7150	INTEREST INCOME			34.00
092-370-7151	AMORTIZATION REVENUE			230,191.00
Total			3,205,298.00	3,205,298.00