



Required Auditor Disclosure Letter Conclusion of Audit

April 25, 2024

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, 2023. 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 Matters

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 the use of information technology arrangements by adopting Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs), in fiscal year 2023. 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 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. 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 April 25, 2024.

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 introductory and statistical sections, which accompany the financial statements but are 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 9/30/23**
 Period Ending: **9/30/2023**
 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		J.01		
To adjust beginning fund balances				
010-271-271000	FUND BALANCE		2,640.76	
012-7500-1500	Distributions to others		1,377.00	
017-3698-3150	FIRE MARSHALL EXPENSES		665.73	
084-271-271000	FUND BALANCE		19,555.38	
010-1691-4900	Miscellaneous			2,640.76
012-271-271000	FUND BALANCE			1,377.00
017-271-271000	FUND BALANCE			665.73
084-7298-7298	INMATE DISTRIBUTIONS			19,555.38
Total			24,238.87	24,238.87
Adjusting Journal Entries JE # 2		C.09		
To record lease revenue				
010-105-106000	LEASE RECEIVABLE		203,766.00	
010-233-233200	DEFERRED INFLOW LEASES		40,759.14	
010-370-7100	RENT - COUNTY PROPERTY		43,741.62	
092-233-233200	DEFERRED INFLOW LEASES		230,191.24	
092-370-7200	REVENUE - LEASES		231,318.64	
010-105-106000	LEASE RECEIVABLE			38,862.25
010-233-233200	DEFERRED INFLOW LEASES			203,766.00
010-370-7150	INTEREST INCOME			4,879.37
010-370-7151	AMORTIZATION REVENUE			40,759.14
092-105-106000	LEASE RECEIVABLE			216,550.88
092-370-7150	INTEREST INCOME			14,767.76
092-370-7151	AMORTIZATION REVENUE			230,191.24
Total			749,776.64	749,776.64
Adjusting Journal Entries JE # 3		C.01		
To record property taxes for the current year				
010-105-105000	TAXES RECEIVABLE		43,441.21	
021-105-105000	TAXES RECEIVABLE		120,686.07	
022-105-105000	TAXES RECEIVABLE		120,236.02	
023-105-105000	TAXES RECEIVABLE		140,610.87	
024-105-105000	TAXES RECEIVABLE		138,972.16	
061-105-105000	TAXES RECEIVABLE		370,475.80	
010-105-105100	UNCOLLECTIBLE TAX ALLOWANCE			1,353.31
010-233-233100	DEFERRED REVENUE			38,375.93
010-310-1110	TAXES - CURRENT			3,711.98
021-105-105100	UNCOLLECTIBLE TAX ALLOWANCE			3,759.69
021-233-233100	DEFERRED REVENUE			116,926.38
022-105-105100	UNCOLLECTIBLE TAX ALLOWANCE			3,745.67
022-233-233100	DEFERRED REVENUE			116,490.35
023-105-105100	UNCOLLECTIBLE TAX ALLOWANCE			173.33
023-233-233100	DEFERRED REVENUE			140,437.54
024-105-105100	UNCOLLECTIBLE TAX ALLOWANCE			4,329.35
024-233-233100	DEFERRED REVENUE			134,642.80
061-105-105100	UNCOLLECTIBLE TAX ALLOWANCE			11,541.30
061-233-233100	DEFERRED REVENUE			358,934.50
Total			934,422.13	934,422.13

Client: **Polk County, Texas**
 Engagement: **4.1 - Polk County 9/30/23**
 Period Ending: **9/30/2023**
 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 # 4		2.2.03		
Client adjusting entry				
010-131-131000	DUE FROM OTHER FUNDS		21,642.43	
010-2560-1050	SALARIES		4,038.29	
010-2560-2010	SOCIAL SECURITY		1,933.84	
010-2560-2020	HEALTH INSURANCE		5,976.96	
010-2560-2030	RETIREMENT		4,885.35	
010-2560-2060	UNEMPLOYMENT INSURANCE		16.76	
010-330-3475	VCLG - District Attorney C-00061		21,853.20	
010-330-4125	SVL GRANT-SHERIFF 4297302 REVENUE		12,630.90	
010-330-4126	VCLG-SHERIFF C-00062		43,957.93	
010-330-4127	4437901 EVIDENCE PROCUREMENT MANAGER		25,244.71	
035-7409-6222	DALLARDSVILLE PROJ 2-CDBG-CDV21-0368		15,950.00	
043-101-101199	CLAIM ON CASH - POOLED CASH		21,642.63	
043-101-101199	CLAIM ON CASH - POOLED CASH		118,993.96	
043-115-115000	ACCOUNTS RECEIVABLE		21,642.63	
043-2475-1061	VCLG DIST ATTORNEY GRANT SALARY		597.06	
043-2475-2020	HEALTH INSURANCE		123.72	
043-2560-1062	SVLG SHERIFF DEPT SALARY		1,600.07	
043-2561-2040	WORKERS COMP		81.03	
010-101-101199	CLAIM ON CASH - POOLED CASH			21,642.43
010-101-101199	CLAIM ON CASH - POOLED CASH			118,993.96
010-2475-1050	SALARIES			597.06
010-2475-2020	HEALTH INSURANCE			123.72
010-2560-2040	WORKERS COMPENSATION			81.03
010-342-4900	MISCELLANEOUS REVENUE			742.17
035-201-201100	ACCRUED LIABILITY			15,950.00
043-200-210000	DUE TO GENERAL FUND			21,642.63
043-2560-2010	SOCIAL SECURITY			1,194.87
043-2560-2020	HEALTH INSURANCE			5,521.66
043-2560-2030	RETIREMENT			2,756.21
043-2560-2060	UNEMPLOYMENT			13.57
043-2561-1063	EVIDENCE PROCUREMENT MANAGER GRANT			5,451.86
043-2561-2010	SOCIAL SECURITY			738.97
043-2561-2020	HEALTH INSURANCE			455.30
043-2561-2030	RETIREMENT			2,129.14
043-2561-2060	UNEMPLOYMENT			3.19
043-2562-1064	VCLG SHERIFF'S DEPT GRANT SALARY			186.50
043-330-3475	VCLG DISTRICT ATTORNEY REVENUE			29,540.03
043-330-4125	SVL GRANT SHERIFF REVENUE			12,630.90
043-330-4126	VCLG SHERIFF REVENUE			43,957.93
043-330-4127	EVIDENCE PROCUREMENT GRANT REVENUE			38,458.34
Total			<u>322,811.47</u>	<u>322,811.47</u>
Adjusting Journal Entries JE # 5		2.2.04		
Client adjusting entry				
010-115-115000	ACCOUNTS RECEIVABLE		2,013,156.39	
010-229-229200	IAH-CIVIGENICS PAYABLE			2,013,156.39
Total			<u>2,013,156.39</u>	<u>2,013,156.39</u>

Client: **Polk County, Texas**
 Engagement: **4.1 - Polk County 9/30/23**
 Period Ending: **9/30/2023**
 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 # 6				
To adjust principal and interest payments and record new lease.				
010-2560-5750	CAPITAL OUTLAY-VEHICLES		1,126,852.44	
015-7621-5700	LEASE PAYMENT		507.80	
015-7622-5700	LEASE PAYMENT		507.80	
015-7622-5710	CAPITAL OUTLAY		162,701.77	
015-7623-5700	LEASE PAYMENT		507.80	
015-7624-5700	LEASE PAYMENT		507.80	
010-390-9400	TAX NOTES/LOAN PROCEEDS			1,126,852.44
015-380-8621	PCT#1 LEASE PROCEEDS			162,701.77
015-7621-5690	LEASE INTEREST PAYMENT			507.80
015-7622-5690	LEASE INTEREST PAYMENT			507.80
015-7623-5690	LEASE INTEREST PAYMENT			507.80
015-7624-5690	LEASE INTEREST PAYMENT			507.80
Total			1,291,585.41	1,291,585.41

Adjusting Journal Entries JE # 7				
To adjust principal and interest for GASB 87 leases.				
010-73005690	Interest		3.38	
010-73005690	Interest		880.59	
010-73005690	Interest		4,851.28	
010-73005700	Lease financing principal		3,896.62	
010-73005700	Lease financing principal		57,577.83	
010-73005700	Lease financing principal		197,545.06	
021-73005690	Interest		0.92	
021-73005700	Lease financing principal		674.08	
010-1409-3290	COPY/POSTAGE MACHINE EXPENSE			58,458.42
010-1691-4660	LEASE PAYMENTS			3,900.00
010-1691-4660	LEASE PAYMENTS			202,396.34
021-6621-4660	LEASE PAYMENTS			675.00
Total			265,429.76	265,429.76