



## Required Auditor Disclosure Letter

March 15, 2013

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 Polk County, Texas (the "County") as of and for the year ended September 30, 2012, and have issued our report thereon dated March 15, 2013. Professional standards require that we provide Commissioners' Court (the "governing body") with the following information related to our audit.

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

As stated in our engagement letter dated April 2, 2012, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with its 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 April 2, 2012.

### III. Significant Audit Findings

#### *1. Qualitative Aspects of Accounting Practices*

- A. Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application.
- i. The significant accounting policies used by the County are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year.
  - ii. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus.
  - iii. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

- 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 estimate affecting the financial statements was:

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.

- 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 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 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, professional standards define a disagreement with management as 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 15, 2013.

#### *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.

IV. Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, 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.

This information is intended solely for the use of the governing body and management of the County 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 9/30/12*  
 Period Ending: *9/30/2012*  
 Workpaper: *2.5.06 - Adjusting Journal Entries Report*

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>				
C.02				
To adjust sales tax receivable and revenue at year end; client should post as of 9/30/12 and not reverse				
010-110-000	SALES TAX RECEIVABLE		36,658.71	
010-318-150	SALES TAX			36,658.71
<b>Total</b>			<u><u>36,658.71</u></u>	<u><u>36,658.71</u></u>

<b>Adjusting Journal Entries JE # 2</b>				
C.01				
To adjust property tax receivable and deferred revenue; client should post as of 9/30/12 and not reverse				
010-233-100	DEFERRED REVENUE		95,788.37	
021-233-100	DEFERRED REVENUE		11,358.42	
022-233-100	DEFERRED REVENUE		12,904.93	
023-105-000	TAXES RECEIVABLE		8,331.21	
024-233-100	DEFERRED REVENUE		6,342.92	
061-233-100	DEFERREF REVENUE		34,250.63	
010-105-000	TAXES RECEIVABLE			48,801.61
010-105-100	UNCOLLECTIBLE TAX ALLOWANCE			46,986.76
021-105-000	TAXES RECEIVABLE			7,204.65
021-105-100	UNCOLLECTIBLE TAX ALLOWANCE			4,153.77
022-105-000	TAXES RECEIVABLE			8,690.65
022-105-100	UNCOLLECTIBLE TAX ALLOWANCE			4,214.28
023-105-100	UNCOLLECTIBLE TAX ALLOWANCE			5,709.81
023-233-100	DEFERRED REVENUE			2,621.40
024-105-000	TAXES RECEIVABLE			957.29
024-105-100	UNCOLLECTIBLE TAX ALLOWANCE			5,385.63
061-105-000	TAXES RECEIVABLE			15,314.86
061-105-100	UNCOLLECTIBLE TAX ALLOWANCE			18,935.77
<b>Total</b>			<u><u>168,976.48</u></u>	<u><u>168,976.48</u></u>

<b>Adjusting Journal Entries JE # 3</b>				
J.01				
To adjust beginning fund balance to match prior year report; for reporting purposes only; client does not need to post				
010-891-490	MISCELLANEOUS		5,770.00	
024-271-000	FUND BALANCE		282.95	
010-271-000	FUND BALANCE			5,770.00
024-360-200	MISCELLANEOUS REVENUE			282.95
<b>Total</b>			<u><u>6,052.95</u></u>	<u><u>6,052.95</u></u>

<b>Adjusting Journal Entries JE # 4</b>				
J.01				
To adjust beginning fund balance in the general fund; client should post as of 9/30/12 and not reverse				
010-342-900	MISCELLANEOUS REVENUE		20.39	
010-271-000	FUND BALANCE			20.39

Client: *Polk County, Texas*  
 Engagement: *4.1 - Polk County 9/30/12*  
 Period Ending: *9/30/2012*  
 Workpaper: *2.5.06 - Adjusting Journal Entries Report*

Account	Description	W/P Ref	Debit	Credit
<b>Total</b>			<u>20.39</u>	<u>20.39</u>

**Adjusting Journal Entries JE # 5** 1.02b

To adjust for premium for Series 2012 Refunding Bond; Client should post as of 9/30/12 and not reverse

061-390-400	BONDS PROCEEDS		261,548.49	
061-873-553	BOND ISSUANCE COST		3,163.78	
061-873-553	BOND ISSUANCE COST		381,784.41	
061-390-401	PREMIUM ON BONDS			643,332.90
061-890-690	BOND FEES			3,163.78
<b>Total</b>			<u>646,496.68</u>	<u>646,496.68</u>

**Adjusting Journal Entries JE # 6** 1.04

To adjust debt service principal and interest payments to match amortization schedule; client should post as of 9/30/12 and not reverse

061-830-000	DEBT-Escrow Payment		18,221,095.63	
061-830-513	SERIES CO 2007 JAIL EX			18,221,095.63
<b>Total</b>			<u>18,221,095.63</u>	<u>18,221,095.63</u>

**Adjusting Journal Entries JE # 7** C.03

To adjust IAH receivable/payable for current year; client should post as of 9/30/12 and not reverse

010-229-200	IAH-CIVIGENICS PAYABLE		1,579,729.96	
010-115-000	ACCOUNTS RECEIVABLE			1,579,729.96
<b>Total</b>			<u>1,579,729.96</u>	<u>1,579,729.96</u>

**Adjusting Journal Entries JE # 8** 2.4.04

Client adjusting entries.

010-131-000	DUE FROM OTHER FUNDS		54.77	
010-134-201	A/R Probation		2,404.00	
010-207-000	DUE TO OTHER FUNDS		730.95	
010-695-572	CAPITAL OUTLAY- OFC EQ		5,000.00	
010-695-572	CAPITAL OUTLAY- OFC EQ		5,000.00	
034-330-610	GENERAL FEMA REVENUES		10,983.89	
035-115-000	ACCOUNTS RECEIVABLE		309,991.37	
088-207-000	DUE TO GENERAL FUND		1.00	
092-360-100	DEPOSITORY INTEREST		2,306.50	
010-131-000	DUE FROM OTHER FUNDS			2,404.00
010-207-000	DUE TO OTHER FUNDS			5,000.00
010-207-035	DUE TO GRANT FUND			5,000.00
010-475-202	GROUP INSURANCE			54.77
010-475-202	GROUP INSURANCE			730.95
034-700-010	TRANSFER TO GENERAL FU			10,983.89
035-101-000	CASH IN BANK			309,991.37
088-207-700	BCF-BIRTH CERTIFICATE(			1.00
092-370-091	TRANSFER FROM PERM.SCH			2,306.50
<b>Total</b>			<u>336,472.48</u>	<u>336,472.48</u>

Client: *Polk County, Texas*  
 Engagement: *4.1 - Polk County 9/30/12*  
 Period Ending: *9/30/2012*  
 Workpaper: *2.5.06 - Adjusting Journal Entries Report*

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 9</b>		I.01		
To adjust for interest payment for Series 2012 Refunding bonds; client should post as of 9/30/12 and not reverse				
061-873-520	INTEREST 2012 GO REFUNDING BOND		101,647.22	
061-873-513	INTEREST 2007 CO SERIE			101,647.22
<b>Total</b>			<b>101,647.22</b>	<b>101,647.22</b>
<b>Adjusting Journal Entries JE # 10</b>		PF8.2.12a		
To adjust for premium for Series 2012 Tax Notes; client should post as of 9/30/12 and not reverse				
010-390-400	TAX NOTES/LOAN PROCEED		15,243.15	
010-390-408	PREMIUM ON TAX NOTES			15,243.15
<b>Total</b>			<b>15,243.15</b>	<b>15,243.15</b>
<b>Adjusting Journal Entries JE # 11</b>				
For miscellaneous adjustment of expenditures in general fund; for reporting purposes only; client does not need to post				
010-691-490	MISCELLANEOUS		114.00	
010-409-572	OFFICE FURNISHINGS/EQU			114.00
<b>Total</b>			<b>114.00</b>	<b>114.00</b>
<b>Adjusting Journal Entries JE # 12</b>		2.4.05		
Clients adjusting entry to record bank activity at year end.				
080-101-225	DIST.CLK CC - FSB#1738		5,486.00	
080-101-400	TITLE IV CHILD SPRT-FS		229.63	
080-207-500	DUE TO DIST CLK-PETTY		166.90	
080-450-250	TDCJ EXPENDITURES		2,236.54	
086-101-200	CASH BOND - FNB#900011		10,070.07	
086-101-400	ROC - FSB INDIVIDUAL T		25,849.23	
086-101-500	ROC INVEST ACCT-FNB#10		186.01	
086-207-000	DUE TO OTHER AGENCIES		3,630.82	
086-207-000	DUE TO OTHER AGENCIES		778,408.66	
087-101-401	CASH FSB #920991 VIT		41,887.51	
087-101-501	CASH FSB #174238 MOBIL		3,874.78	
087-151-100	TX POOL #9127 MVR		24,441.82	
087-207-000	Due to Tax Assessor/Collector		13,617.90	
087-207-010	DUE TO TAX ASSESSOR		2,345.15	
087-207-010	DUE TO TAX ASSESSOR		5,587.71	
087-207-010	DUE TO TAX ASSESSOR		7,594.40	
087-207-010	DUE TO TAX ASSESSOR		13,917.61	
080-101-250	TDCJ - DIST CLK - FSB#			2,236.54
080-101-500	DIST CLK PETTY CASH FN			166.90
080-207-225	DUE TO DIST CLK (CC)			5,486.00
080-207-400	DUE TO DIST CLK (TITLE			229.63
086-101-100	ROC (MAIN ACCT)-FNB#90			778,408.66
086-101-300	ROC - FNB INDIVIDUAL T			3,630.82
086-207-000	DUE TO OTHER AGENCIES			186.01
086-207-000	DUE TO OTHER AGENCIES			10,070.07
086-207-000	DUE TO OTHER AGENCIES			25,849.23
086-207-000	DUE TO OTHER AGENCIES			13,917.61
087-101-000	CASH CSB #104232 MVR			2,345.15
087-101-001	CASH CSB #104219 AD VA			13,617.90
087-101-300	CASH FSB #011544 AUTO			5,587.71
087-101-600	CASH FSB #173369 PROP.			32,036.22
087-151-400	TX POOL #6790 VIT			41,887.51
087-207-000	Due to Tax Assessor/Collector			

Client: *Polk County, Texas*  
 Engagement: *4.1 - Polk County 9/30/12*  
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 Workpaper: *2.5.06 - Adjusting Journal Entries Report*

<u>Account</u>	<u>Description</u>	<u>W/P Ref</u>	<u>Debit</u>	<u>Credit</u>
087-207-010	DUE TO TAX ASSESSOR			3,874.78
<b>Total</b>			<b>939,530.74</b>	<b>939,530.74</b>
<b>Adjusting Journal Entries JE # 13</b>				
		2.4.06		
Client prepared entry; To record activity for tax assessor bank accounts; client should post as of 9/30/12 and not reverse				
087-101-101	CASH FSB #011221 AD VA		364,886.33	
087-207-010	DUE TO TAX ASSESSOR		182,743.12	
087-101-100	CASH FSB #011239 MVR			182,743.12
087-207-010	DUE TO TAX ASSESSOR			364,886.33
<b>Total</b>			<b>547,629.45</b>	<b>547,629.45</b>
<b>Adjusting Journal Entries JE # 14</b>				
To adjust road and bridge lease proceeds to match amortization schedule; for reporting purposes only; client does not need to post				
015-621-571	ROAD MACHINERY/EQUIPME		434.00	
015-390-621	PCT#1 LEASE PROCEEDS			434.00
<b>Total</b>			<b>434.00</b>	<b>434.00</b>