



Required Auditor Disclosure Letter

March 17, 2021

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, 2020, and have issued our report thereon dated March 17, 2021. Professional standards require that we provide 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.

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

As stated in our engagement letter dated September 6, 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 September 6, 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 County 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 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 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 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 March 17, 2021.

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 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, 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 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.

V. 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
Certified Public Accountants
Houston, Texas

Client: **Polk County, Texas**
 Engagement: **4.1 - Polk County 9/30/20**
 Period Ending: **9/30/2020**
 Trial Balance: **2.2.01 - TB**
 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>
Adjusting Journal Entries JE # 1				
To correct property taxes receivables, allowances and deferred.				
010-105-105000	TAXES RECEIVABLE		56,128.01	
021-105-105000	TAXES RECEIVABLE		4,107.82	
022-105-105000	TAXES RECEIVABLE		4,127.78	
023-105-105000	TAXES RECEIVABLE		5,007.38	
024-105-105000	TAXES RECEIVABLE		4,893.12	
061-105-105000	TAXES RECEIVABLE		4,809.05	
061-105-105100	UNCOLLECTIBLE TAX ALLOWANCE		40.75	
010-105-105100	UNCOLLECTIBLE TAX ALLOWANCE			1,320.21
010-233-233100	DEFERRED REVENUE			47,989.79
010-310-1110	TAXES - CURRENT			6,818.02
021-105-105100	UNCOLLECTIBLE TAX ALLOWANCE			87.36
021-233-233100	DEFERRED REVENUE			4,020.46
022-105-105100	UNCOLLECTIBLE TAX ALLOWANCE			87.79
022-233-233100	DEFERRED REVENUE			4,039.98
023-105-105100	UNCOLLECTIBLE TAX ALLOWANCE			106.50
023-233-233100	DEFERRED REVENUE			4,900.89
024-105-105100	UNCOLLECTIBLE TAX ALLOWANCE			104.07
024-233-233100	DEFERRED REVENUE			4,789.05
061-233-233100	DEFERRED REVENUE			4,849.79
Total			79,113.91	79,113.91

Adjusting Journal Entries JE # 2
 To reclass the payroll accrual entries to salaries payable accounts.

010-101-101199	CLAIM ON CASH - POOLED CASH		698,283.01	
021-101-101199	CLAIM ON CASH - POOLED CASH		23,981.96	
022-101-101199	CLAIM ON CASH - POOLED CASH		35,006.50	
023-101-101199	CLAIM ON CASH - POOLED CASH		36,773.76	
024-101-101199	CLAIM ON CASH - POOLED CASH		32,866.56	
027-101-101199	CLAIM ON CASH - POOLED CASH		4,363.47	
051-101-101199	CLAIM ON CASH - POOLED CASH		10,456.37	
101-101-101199	CLAIM ON CASH - POOLED CASH		63,511.34	
185-101-101199	CLAIM ON CASH - POOLED CASH		40,249.08	
010-202-202100	SALARIES PAYABLE			698,283.01
021-202-202100	SALARIES PAYABLE			23,981.96
022-202-202100	SALARIES PAYABLE			35,006.50
023-202-202100	SALARIES PAYABLE			36,773.76
024-202-202100	SALARIES PAYABLE			32,866.56
027-202-202100	SALARIES PAYABLE			4,363.47
051-202-202100	SALARIES PAYABLE			10,456.37
101-202-202100	SALARIES PAYABLE			63,511.34
185-202-202100	SALARIES PAYABLE			40,249.08
Total			945,492.05	945,492.05

Adjusting Journal Entries JE # 3
 To accrue mixed beverage tax receivable.

010-115-115000	ACCOUNTS RECEIVABLE		9,206.22	
010-318-1155	MIXED BEVERAGE TAX ALLOCATION			9,206.22
Total			9,206.22	9,206.22

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<u>Account</u>	<u>Description</u>	<u>W/P Ref</u>	<u>Debit</u>	<u>Credit</u>
Adjusting Journal Entries JE # 4		C.05		
To adjust transfers to/from to balance to zero.				
091-8700-0920	TRANSFER TO AVAIL SCHOOL		14.09	
091-360-6100	DEPOSITORY INTEREST			14.09
Total			14.09	14.09
Adjusting Journal Entries JE # 5				
To record grant receivable and unearned grant revenue at year end.				
035-115-115000	ACCOUNTS RECEIVABLE		441,802.80	
035-331-3125	COURTHOUSE REST PROJECT REV		47,355.40	
035-331-3170	TOBACCO ENFORCEMENT GRANT		23,705.70	
035-331-3216	HAVA GRANT		57,643.53	
035-331-3562	COMM WILDFIRE PROTECTION PLAN		3,985.00	
035-233-233100	DEFERRED REVENUE			132,689.63
035-331-3207	EWP-TAYLOR LAKE			441,802.80
Total			574,492.43	574,492.43
Adjusting Journal Entries JE # 6				
To adjust grant revenue for 2020 unearned.				
010-330-3512	SCAAP(FED ASST-ALIEN CRIMINAL)		7,076.86	
010-233-23101	UNEARNED REVENUE			7,076.86
Total			7,076.86	7,076.86
Adjusting Journal Entries JE # 7				
To move Taylor Lake estates matching amount to Pct 1 expenses.				
021-6621-3390	ROAD MATERIALS		37,289.20	
035-131-131021	DUE FROM ROAD AND BRIDGE 1		37,289.20	
021-207-207035	DUE TO GRANT			37,289.20
035-7409-6500	EWP-TAYLOR LAKES			37,289.20
Total			74,578.40	74,578.40
Adjusting Journal Entries JE # 8				
To correct negative fund balance in JP Technology fund.				
010-8700-0130	TRANSFER TO JUSTICE CRT TECH		4,154.00	
013-101-101199	CLAIM ON CASH - POOLED CASH		4,154.00	
010-101-101199	CLAIM ON CASH - POOLED CASH			4,154.00
013-340-4010	TRANSFER FROM GEN FUND			4,154.00
Total			8,308.00	8,308.00