



## Required Auditor Disclosure Letter

March 17, 2014

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, 2013, and have issued our report thereon dated March 17, 2014. 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.

Our responsibility for the supplementary information accompanying the financial statements, 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.

### 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. The significant accounting policies used by the County are described in the notes to the financial statements. As described in Note III. F. to the financial statements, the County changed accounting policies related to bond issuance costs by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 65, *Items Previously Reported as Assets and Liabilities*, in fiscal year 2013. 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.

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- 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 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.

- 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, 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, 2014.

#### *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

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 9/30/13**  
 Period Ending: **9/30/2013**  
 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>
<b>Adjusting Journal Entries JE # 1</b>				
To record current fiscal year property tax receivable, deferred revenue and allowance for doubtful account activity. Client should post as of 9/30/2013 and do not reverse.				
010-105-000	TAXES RECEIVABLE		7,902.92	
010-105-100	UNCOLLECTIBLE TAX ALLO		1,662.91	
021-105-000	TAXES RECEIVABLE		912.34	
021-105-100	UNCOLLECTIBLE TAX ALLO		138.29	
022-105-000	TAXES RECEIVABLE		925.62	
022-105-100	UNCOLLECTIBLE TAX ALLO		140.30	
023-105-000	TAXES RECEIVABLE		1,254.10	
023-105-100	UNCOLLECTIBLE TAX ALLO		190.30	
024-105-000	TAXES RECEIVABLE		1,182.90	
024-105-100	UNCOLLECTIBLE TAX ALLO		179.29	
061-105-000	TAXES RECEIVABLE		7,332.98	
061-105-100	UNCOLLECTIBLE TAX ALLO		500.92	
010-233-100	DEFERRED REVENUE			9,565.83
021-233-100	DEFERRED REVENUE			1,050.63
022-233-100	DEFERRED REVENUE			1,065.92
023-233-100	DEFERRED REVENUE			1,444.40
024-233-100	DEFERRED REVENUE			1,362.19
061-233-100	DEFERREF REVENUE			7,833.90
<b>Total</b>			<b><u>22,322.87</u></b>	<b><u>22,322.87</u></b>

**Adjusting Journal Entries JE # 2**  
 To record sales tax receivable for fiscal year. Client should post as of 9/30/2013 and do not reverse.

010-110-000	SALES TAX RECEIVABLE		171,638.75	
010-318-150	SALES TAX		146,335.08	
010-110-000	SALES TAX RECEIVABLE			146,335.08
010-115-000	ACCOUNTS RECEIVABLE			171,638.75
<b>Total</b>			<b><u>317,973.83</u></b>	<b><u>317,973.83</u></b>

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<u>Account</u>	<u>Description</u>	<u>W/P Ref</u>	<u>Debit</u>	<u>Credit</u>
<b>Adjusting Journal Entries JE # 3</b>				
To record activity in district clerk accounts for fiscal year. Client should post as of 9/30/2013 and do not reverse.				
080-101-225	DIST.CLK CC - FSB#1738		10,306.00	
080-101-400	TITLE IV CHILD SPRT-FS		25.36	
080-207-500	DUE TO DIST CLK-PETTY		55.00	
080-450-250	TDCJ EXPENDITURES		2,062.39	
086-101-200	CASH BOND - FNB#900011		20,300.00	
086-101-500	ROC INVEST ACCT-FNB#10		103.33	
086-101-700	ROC - State Farm Lipsomb acct		201,431.11	
086-207-225	DUE TO ROC TRUST AGENC		21,884.46	
086-207-225	DUE TO ROC TRUST AGENC		30,116.84	
086-207-225	DUE TO ROC TRUST AGENC		192,671.02	
080-101-250	TDCJ - DIST CLK - FSB#			2,062.39
080-101-500	DIST CLK PETTY CASH FN			55.00
080-207-225	DUE TO DIST CLK (CC)			10,306.00
080-207-400	DUE TO DIST CLK (TITLE			25.36
086-101-100	ROC (MAIN ACCT)-FNB#90			30,116.84
086-101-300	ROC - FNB INDIVIDUAL T			21,884.46
086-101-400	ROC - FSB INDIVIDUAL T			192,671.02
086-207-000	DUE TO OTHER AGENCIES			20,300.00
086-207-225	DUE TO ROC TRUST AGENC			103.33
086-207-225	DUE TO ROC TRUST AGENC			201,431.11
086-207-225	DUE TO ROC TRUST AGENC			
<b>Total</b>			<b>478,955.51</b>	<b>478,955.51</b>

**Adjusting Journal Entries JE # 4**

To correct interfund balances posted to other accounts. Client should post as of 9/30/2013 and do not reverse.

061-890-690	BOND FEES		121.08	
092-360-100	DEPOSITORY INTEREST		2,663.43	
061-390-020	TRANSFER FRM CONSTRUCTION			121.08
092-370-091	TRANSFER FROM PERM.SCH			2,663.43
<b>Total</b>			<b>2,784.51</b>	<b>2,784.51</b>

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Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 5</b>				
Client adjusting entries.				
010-115-000	ACCOUNTS RECEIVABLE		8,169.58	
010-134-426	A/R IAH-DOJ		251,567.85	
010-202-100	SALARIES PAYABLE		8,464.28	
010-321-565	911 ADDRESSING PERMIT		5,149.92	
010-370-032	TRANSFER FROM WASTE MA		4,625.03	
010-450-315	OFFICE SUPPLIES		1,250.00	
010-456-315	OFFICE SUPPLIES		511.00	
010-560-422	RADIO/COMMUNICATION		678.47	
013-131-000	DUE FROM OTHER FUNDS		511.00	
021-202-100	SALARIES PAYABLE		572.14	
021-319-300	FINES		3.00	
022-319-300	FINES		3.00	
022-622-105	SALARIES		10.80	
023-202-100	SALARIES PAYABLE		924.36	
024-202-100	SALARIES PAYABLE		299.76	
027-115-000	ACCOUNTS RECEIVABLE		65.00	
030-115-000	ACCOUNTS RECEIVABLE		200,000.00	
030-330-100	FOUNDATION REVENUES		1,302,000.00	
032-207-010	DUE TO GENERAL FUND		4,625.03	
035-115-000	ACCOUNTS RECEIVABLE		5,492.23	
035-115-000	ACCOUNTS RECEIVABLE		19,634.87	
035-115-000	ACCOUNTS RECEIVABLE		26,024.06	
035-115-000	ACCOUNTS RECEIVABLE		180,287.36	
035-115-000	ACCOUNTS RECEIVABLE		825,000.00	
035-131-000	DUE FROM OTHER FUNDS		678.47	
035-207-500	Due to other funds		1,302,000.00	
040-115-000	Accounts receivable		140.00	
051-202-100	SALARIES PAYABLE		417.00	
088-115-000	ACCOUNTS RECEIVABLE		1,422.42	
088-207-680	DFLC-DIVORCE & FAM LA		9,504.92	
094-115-000	ACCOUNTS RECEIVABLE		100.00	
094-207-000	DUE TO OTHER FUNDS		1,250.00	
095-331-100	FEDERAL REVENUES		12,000.00	
098-115-000	accounts receivable		170.00	
099-115-000	ACCOUNTS RECEIVABLE		4.00	
010-115-000	ACCOUNTS RECEIVABLE			251,567.85
010-131-000	DUE FROM OTHER FUNDS			1,250.00
010-131-000	DUE FROM OTHER FUNDS			4,625.03
010-207-000	DUE TO OTHER FUNDS			511.00
010-207-035	DUE TO GRANT FUND			678.47
010-221-030	FAMILY PROTECTION FEE			105.00
010-221-045	9TH CRT OF APPEALS DI			35.00
010-226-300	L, GOGGINS & BLAIR PAY			400.00
010-226-600	DIST.CLK-OUT OF COUNTY			75.00
010-340-220	SHERIFFS FEES			503.00
010-340-700	DISTRICT CLERK FEES			6,216.58
010-340-710	DIST CRT RECORDS TECHN			55.00
010-340-750	COURT REPORTER FEES			105.00
010-342-700	COURT APPD ATTY REIMBU			675.00
010-367-801	DETCOG 911 MAINTENANCE			5,149.92
010-400-105	SALARIES			8,464.28
013-452-350	JP 2 TECHNOLOGY EXPENS			511.00
021-131-000	DUE FROM OTHER FUNDS			3.00
021-621-105	SALARIES			572.14
022-131-500	DUE FROM OTHER FUNDS			3.00
022-202-100	SALARIES PAYABLE			10.80

Client: *Polk County, Texas*  
 Engagement: *4.1 - Polk County 9/30/13*  
 Period Ending: *9/30/2013*  
 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>
023-623-105	SALARIES			924.36
024-624-105	SALARIES			299.76
027-340-700	DISTRICT CLERK FEES			65.00
030-131-500	DUE FROM OTHER FUNDS			1,302,000.00
030-330-200	EDA FUNDS			200,000.00
032-700-010	TRANSFER TO GENERAL FU			4,625.03
035-330-100	Foundation Revenues			1,302,000.00
035-331-125	COURTHOUSE REST PROJEC			26,024.06
035-331-150	#2012-040364 EXEC/PPH			5,492.23
035-331-203	#2526701 - DISASTER RE			19,634.87
035-331-204	GLO CONT# 10-5226-000-			180,287.36
035-331-204	GLO CONT# 10-5226-000-			825,000.00
035-409-615	#2563801 - FORENSIC EQ			678.47
040-340-700	DISTRICT COURT FEES			140.00
051-645-105	SALARIES			417.00
088-207-220	DCP-DRUG COURT PROGRAM			1,422.42
088-207-685	ODFLC-OTHER THAN DIV/F			9,504.92
094-340-700	DISTRICT CLERK FEES			100.00
094-426-450	DIST CLERK IMAGING CON			1,250.00
095-331-200	Suppression Grant program			12,000.00
098-340-450	RECORDS PRESERVATION F			170.00
099-340-700	DISTRICT COURT FEES			4.00
<b>Total</b>			<b><u>4,173,555.55</u></b>	<b><u>4,173,555.55</u></b>

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Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 6</b>				
To correct 2014 debt recorded in 2013 fiscal year. Client should post as of 9/30/2013 and record entry in the 2014 fiscal year.				
015-380-611	PCT#1 BUY BACK PROCEED		43,173.12	
015-380-611	PCT#1 BUY BACK PROCEED		57,826.88	
015-380-612	PCT#2 BUY BACK PROCEED		86,357.55	
015-380-612	PCT#2 BUY BACK PROCEED		115,642.45	
015-380-613	PCT#3 BUY BACK PROCEED		86,357.55	
015-380-613	PCT#3 BUY BACK PROCEED		115,642.45	
015-380-614	PCT#4 BUY BACK PROCEED		86,357.55	
015-380-614	PCT#4 BUY BACK PROCEED		115,642.45	
015-380-621	PCT#1 LEASE PROCEEDS		117,980.66	
015-380-622	PCT#2 LEASE PROCEEDS		235,961.32	
015-380-623	PCT#3 LEASE PROCEEDS		235,961.32	
015-380-624	PCT#4 LEASE PROCEEDS		235,961.32	
015-115-000	RECEIVABLES			302,245.77
015-621-569	LEASE INTEREST PAYMENT			734.74
015-621-570	LEASE PAYMENT			57,092.14
015-621-571	ROAD MACHINERY/EQUIPME			117,980.66
015-622-569	LEASE INTEREST PAYMENT			1,458.17
015-622-570	LEASE PAYMENT			114,184.28
015-622-571	ROAD MACHINERY/EQUIPMEN			235,961.32
015-623-569	LEASE INTEREST PAYMENT			1,458.17
015-623-570	LEASE PAYMENT			114,184.28
015-623-571	ROAD MACHINERY/EQUIPME			235,961.32
015-624-569	LEASE INTEREST PAYMENT			1,458.17
015-624-570	LEASE PAYMENT			114,184.28
015-624-571	ROAD MACHINERY/EQUIPME			235,961.32
<b>Total</b>			<b><u>1,532,864.62</u></b>	<b><u>1,532,864.62</u></b>