

Required Auditor Disclosure Letter

March 29, 2022

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, 2021, and have issued our report thereon dated March 29, 2022. 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. . As described in Note III. F. to the financial statements, the County changed accounting policies related to accounting for fiduciary activities by adopting Governmental Accounting Standards Statement No. 84, *Fiduciary Activities*, in 2021. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. 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 29, 2022.

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, LLP
Certified Public Accountants
Houston, Texas

Client: **Polk County, Texas**
 Engagement: **4.1 - Polk County 9/30/21**
 Period Ending: **9/30/2021**
 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 AJE made to transfer account. | | | | |
| 022-6622-4912 | NUISANCE ABATEMENT | | 30,138.75 | |
| 022-370-7010 | TRANSFER FROM GENERAL FUND | | | 30,138.75 |
| Total | | | 30,138.75 | 30,138.75 |
| Adjusting Journal Entries JE # 2 | | | | |
| To post current year property tax activity. | | | | |
| 010-105-105100 | UNCOLLECTIBLE TAX ALLOWANCE | | 6,262.22 | |
| 010-233-233100 | DEFERRED REVENUE | | 135,112.54 | |
| 021-105-105100 | UNCOLLECTIBLE TAX ALLOWANCE | | 491.88 | |
| 021-233-233100 | DEFERRED REVENUE | | 10,281.58 | |
| 022-105-105100 | UNCOLLECTIBLE TAX ALLOWANCE | | 527.52 | |
| 022-233-233100 | DEFERRED REVENUE | | 11,266.53 | |
| 023-105-105100 | UNCOLLECTIBLE TAX ALLOWANCE | | 668.92 | |
| 023-233-233100 | DEFERRED REVENUE | | 14,483.37 | |
| 024-105-105100 | UNCOLLECTIBLE TAX ALLOWANCE | | 739.43 | |
| 024-233-233100 | DEFERRED REVENUE | | 16,565.47 | |
| 061-105-105100 | UNCOLLECTIBLE TAX ALLOWANCE | | 2,202.67 | |
| 061-233-233100 | DEFERRED REVENUE | | 49,279.76 | |
| 010-105-105000 | TAXES RECEIVABLE | | | 141,374.76 |
| 021-105-105000 | TAXES RECEIVABLE | | | 10,773.46 |
| 022-105-105000 | TAXES RECEIVABLE | | | 11,794.05 |
| 023-105-105000 | TAXES RECEIVABLE | | | 15,152.29 |
| 024-105-105000 | TAXES RECEIVABLE | | | 17,304.90 |
| 061-105-105000 | TAXES RECEIVABLE | | | 51,482.43 |
| Total | | | 247,881.89 | 247,881.89 |
| Adjusting Journal Entries JE # 3 | | | | |
| To accrue mixed beverage tax at year end. | | | | |
| 010-115-115000 | ACCOUNTS RECEIVABLE | | 11,950.01 | |
| 010-318-1155 | MIXED BEVERAGE TAX ALLOCATION | | | 11,950.01 |
| Total | | | 11,950.01 | 11,950.01 |
| Adjusting Journal Entries JE # 4 | | | | |
| To clear out prior year due to/froms and transfers. | | | | |
| 010-101-101199 | CLAIM ON CASH - POOLED CASH | | 4,164.21 | |
| 010-131-131000 | DUE FROM OTHER FUNDS | | 452.60 | |
| 010-131-131000 | DUE FROM OTHER FUNDS | | 1,280.10 | |
| 013-207-207000 | DUE TO OTHER FUNDS | | 4,164.21 | |
| 092-360-6100 | DEPOSITORY INTEREST | | 14.09 | |
| 010-131-131000 | DUE FROM OTHER FUNDS | | | 4,164.21 |
| 010-340-4700 | DISTRICT CLERK FEES | | | 1,732.70 |
| 013-101-101199 | CLAIM ON CASH - POOLED CASH | | | 4,164.21 |
| 092-370-7091 | TRANSFER FROM PERM.SCHOOL FUND | | | 14.09 |
| Total | | | 10,075.21 | 10,075.21 |

Client: **Polk County, Texas**
 Engagement: **4.1 - Polk County 9/30/21**
 Period Ending: **9/30/2021**
 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 # 5 | | 2.2.04a,b,c,d | | |
| Client AJE | | | | |
| 010-115-115000 | ACCOUNTS RECEIVABLE | | 2,202.55 | |
| 010-115-115000 | ACCOUNTS RECEIVABLE | | 38,407.59 | |
| 010-131-131035 | DUE FROM GRANTS | | 118,428.56 | |
| 010-210-210035 | DUE TO GRANT FUND | | 242,232.15 | |
| 010-2512-4900 | Miscellaneous | | 12,468.40 | |
| 010-2512-4900 | Miscellaneous | | 67,114.98 | |
| 010-2512-4900 | Miscellaneous | | 69,028.09 | |
| 010-2512-4900 | Miscellaneous | | 242,232.15 | |
| 011-101-101199 | CLAIM ON CASH - POOLED CASH | | 2,202.55 | |
| 011-115-115000 | ACCOUNTS RECEIVABLE | | 97.88 | |
| 024-101-101199 | CLAIM ON CASH - POOLED CASH | | 67,134.98 | |
| 032-101-101199 | CLAIM ON CASH - POOLED CASH | | 69,028.09 | |
| 035-131-131010 | DUE FROM GENERAL FUND | | 242,232.15 | |
| 035-207-207000 | DUE TO OTHER | | 5,700.00 | |
| 035-207-207010 | DUE TO GENERAL FUND | | 123,803.59 | |
| 035-331-3125 | COURTHOUSE REST PLANNING PROJECT GC ^a | | 118,428.56 | |
| 088-115-115000 | ACCOUNTS RECEIVABLE | | 20.00 | |
| 090-101-101200 | S/O CONTRABAND ACCOUNT | | 3,795.54 | |
| 090-101-101300 | D/A CONTRABAND ACCOUNT | | 2,222.86 | |
| 090-101-101700 | CONSTABLE PCT1 CONTRABAN | | 6,563.64 | |
| 010-101-101101 | CASH IN BANK - JURY | | | |
| 010-101-101199 | CLAIM ON CASH - POOLED CASH | | | 2,202.55 |
| 010-101-101199 | CLAIM ON CASH - POOLED CASH | | | 67,114.98 |
| 010-101-101199 | CLAIM ON CASH - POOLED CASH | | | 69,028.09 |
| 010-104-104000 | PREPAID ITEMS | | | 12,468.40 |
| 010-131-131035 | DUE FROM GRANTS | | | 242,232.15 |
| 010-210-210035 | DUE TO GRANT FUND | | | 242,232.15 |
| 010-2512-4900 | Miscellaneous | | | 38,407.59 |
| 010-2512-4900 | Miscellaneous | | | 118,428.56 |
| 011-115-115000 | ACCOUNTS RECEIVABLE | | | 2,202.55 |
| 011-318-1140 | HOTEL OCCUPANCY TAX | | | 97.88 |
| 024-115-115000 | ACCOUNTS RECEIVABLE | | | 67,134.98 |
| 032-115-115000 | ACCOUNTS RECEIVABLE | | | 69,028.09 |
| 035-115-115000 | ACCOUNTS RECEIVABLE | | | 201,142.95 |
| 035-131-131010 | DUE FROM GENERAL FUND | | | 118,428.56 |
| 035-131-131010 | DUE FROM GENERAL FUND | | | 123,803.59 |
| 035-331-3207 | EWP-TAYLOR LAKE NR197442XXXXC007 | | | 9,500.00 |
| 035-7409-6500 | EWP-TAYLOR LAKES NR197442XXXXC007 | | | 37,289.20 |
| 088-101-101199 | CLAIM ON CASH - POOLED CASH | | | 20.00 |
| 090-101-101600 | DRUG SEIZURE PENDING | | | 12,582.04 |
| Total | | | 1,433,344.31 | 1,433,344.31 |
| Adjusting Journal Entries JE # 6 | | | | |
| To reverse capital outlay for vehicles not received at year end. | | | | |
| 010-101-101199 | CLAIM ON CASH - POOLED CASH | | 134,230.00 | |
| 022-101-101199 | CLAIM ON CASH - POOLED CASH | | 53,921.00 | |
| 010-2560-5750 | CAPITAL OUTLAY-VEHICLES | | | 134,230.00 |
| 022-6622-5710 | CAPITAL OUTLAY | | | 53,921.00 |
| Total | | | 188,151.00 | 188,151.00 |
| Adjusting Journal Entries JE # 7 | | | | |
| To move capital outlay purchase out of parts and repair. | | | | |
| 022-6622-5710 | CAPITAL OUTLAY | | 24,170.42 | |
| 022-6622-4560 | PARTS & REPAIRS | | | 24,170.42 |
| Total | | | 24,170.42 | 24,170.42 |

Client: **Polk County, Texas**
 Engagement: **4.1 - Polk County 9/30/21**
 Period Ending: **9/30/2021**
 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 # 8 | | | | |
| To record district clerk activity for fiscal year. | | | | |
| 080-101-101400 | TITLE IV CHILD SPRT-FSB#152769 | | 5,124.17 | |
| 080-207-207225 | DUE TO DIST CLK (CC) | | 65.00 | |
| 080-207-207400 | DUE TO DIST CLK (TITLE IV) | | 282.22 | |
| 080-207-207400 | DUE TO DIST CLK (TITLE IV) | | 584.82 | |
| 080-207-207500 | DUE TO DIST CLK-PETTY CASH | | 32.00 | |
| 080-207-207500 | DUE TO DIST CLK-PETTY CASH | | 1,340.29 | |
| 080-330-6000 | Collections Received from State | | 1.00 | |
| 086-101-101101 | ROC (NEW) - FNB#9022740 | | 446,000.80 | |
| 086-101-101200 | CASH BOND - FNB#9000119 | | 278.82 | |
| 086-101-101201 | CASH BOND (NEW) - FNB#9022759 | | 17,666.04 | |
| 086-101-101300 | ROC - FNB INDIVIDUAL TRUST | | 3.76 | |
| 086-101-101400 | ROC - FSB INDIVIDUAL TRUST | | 36,889.10 | |
| 086-101-101700 | ROC INVEST #2 - FNB#9022783 | | 180.16 | |
| 086-207-207000 | DUE TO OTHER AGENCIES | | 1,469.85 | |
| 080-101-101225 | DIST.CLK CC - FSB#173864 | | | 1.00 |
| 080-271-271000 | FUND BALANCE | | | 1,990.11 |
| 080-330-6000 | Collections Received from State | | | 314.22 |
| 080-330-6000 | Collections Received from State | | | 5,124.17 |
| 086-101-101100 | ROC (MAIN ACCT)-FNB#9000135 | | | 1,469.85 |
| 086-207-207000 | DUE TO OTHER AGENCIES | | | 17,666.04 |
| 086-207-207000 | DUE TO OTHER AGENCIES | | | 36,889.10 |
| 086-207-207225 | DUE TO ROC TRUST AGENCIES | | | 3.76 |
| 086-207-207225 | DUE TO ROC TRUST AGENCIES | | | 180.16 |
| 086-207-207225 | DUE TO ROC TRUST AGENCIES | | | 278.82 |
| 086-207-207225 | DUE TO ROC TRUST AGENCIES | | | 446,000.80 |
| Total | | | 509,918.03 | 509,918.03 |
| Adjusting Journal Entries JE # 9 | | | | |
| To correct grant fund. | | | | |
| 010-131-131035 | DUE FROM GRANTS | | 6,204.79 | |
| 035-331-3170 | TOBACCO ENFORCEMENT GRANT (TEP) | | 41,642.44 | |
| 035-331-3216 | HAVA GRANT | | 55,144.56 | |
| 035-331-3562 | COMM WILDFIRE PROTECTION PLAN | | 3,985.00 | |
| 035-7409-6217 | 4173501 CORONAVIRUS EMER SUPP FUNDING (PPE) | | 6,204.79 | |
| 010-1695-6950 | COVID 19 EXPENSE | | | 6,204.79 |
| 035-207-207010 | DUE TO GENERAL FUND | | | 6,204.79 |
| 035-233-233100 | DEFERRED REVENUE | | | 41,642.44 |
| 035-233-233100 | DEFERRED REVENUE | | | 59,129.56 |
| Total | | | 113,181.58 | 113,181.58 |

Client: **Polk County, Texas**
 Engagement: **4.1 - Polk County 9/30/21**
 Period Ending: **9/30/2021**
 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 # 10 | | | | |
| To implement GASB 84. | | | | |
| 012-207-207300 | DUE TO OTHER FUNDS - JP3 | | 98.45 | |
| 012-207-207400 | COKE MACHINE FUND PAYABLES | | 1,377.36 | |
| 012-207-207403 | DUE TO OTHER FUNDS | | 33,469.28 | |
| 012-7500-1500 | Distributions to others | | 10,248.59 | |
| 081-207-207800 | DUE TO BENEFICIARY | | 82,502.94 | |
| 081-207-207800 | DUE TO BENEFICIARY | | 568,796.91 | |
| 081-7298-7298 | distributions to others | | 48,687.50 | |
| 086-207-207000 | DUE TO OTHER AGENCIES | | 87,585.29 | |
| 086-207-207000 | DUE TO OTHER AGENCIES | | 111,015.36 | |
| 086-207-207225 | DUE TO ROC TRUST AGENCIES | | 58,453.49 | |
| 086-207-207225 | DUE TO ROC TRUST AGENCIES | | 3,950,532.19 | |
| 086-7298-7298 | Distribution to others | | 1,764,651.46 | |
| 090-222-222000 | DRUG SEIZURE PENDING | | 169,795.94 | |
| 012-271-271000 | FUND BALANCE | | | 45,193.68 |
| 081-271-271000 | FUND BALANCE | | | 568,796.91 |
| 081-331-1252 | Trust funds received | | | 129,269.63 |
| 081-331-1254 | Interest revenue | | | 1,920.81 |
| 086-271-271000 | FUND BALANCE | | | 4,061,547.55 |
| 086-331-1252 | trust funds received | | | 1,892,570.54 |
| 086-331-1254 | Interest revenue | | | 18,119.70 |
| 090-271-271000 | FUND BALANCE | | | 166,190.17 |
| 090-340-4200 | SHERIFFS ACCT | | | 3,605.77 |
| Total | | | <u>6,887,214.76</u> | <u>6,887,214.76</u> |
| Adjusting Journal Entries JE # 11 | | | | |
| To move SCAAP grant revenue to unearned revenue. | | | | |
| 010-330-3512 | SCAAP(FED ASST-ALIEN CRIMINAL) | | 6,768.57 | |
| 010-233-23101 | UNEARNED REVENUE | | | 6,768.57 |
| Total | | | <u>6,768.57</u> | <u>6,768.57</u> |
| Adjusting Journal Entries JE # 12 | | | | |
| To record grant receivable for EMPG grant. | | | | |
| 010-115-115000 | ACCOUNTS RECEIVABLE | | 7,902.30 | |
| 010-330-3696 | EMA ASSISTANCE (EMPG) | | | 7,902.30 |
| Total | | | <u>7,902.30</u> | <u>7,902.30</u> |
| Adjusting Journal Entries JE # 13 | | | | |
| To record accounts receivable from | | | | |
| 101-115-115000 | Accounts Receivable | | 45,240.00 | |
| 185-115-115000 | Accounts Receivable | | 40,341.00 | |
| 101-340-4930 | PAYROLL REIMBURSEMENT-ADULT | | | 45,240.00 |
| 185-340-4930 | PAYROLL REIMBURSEMENT-JUVENILE | | | 40,341.00 |
| Total | | | <u>85,581.00</u> | <u>85,581.00</u> |