



Required Auditor Disclosure Letter

March 29, 2018

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, 2017, and have issued our report thereon dated March 29, 2018. 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 April 21, 2016, 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 April 21, 2016.

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. 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 post employment 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 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 29, 2018.

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, 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 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 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 9/30/17**
 Period Ending: **9/30/2017**
 Trial Balance: **2.2.01 - TB**
 Workpaper: **2.5.06 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
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Adjusting Journal Entries JE # 1

To record CY activity in investment accounts.

087-151-400	TX POOL #6790 VIT		7.29	
087-207-010	DUE TO TAX ASSESSOR		28,981.04	
087-151-100	TX POOL #9127 MVR			28,988.33
Total			28,988.33	28,988.33

Adjusting Journal Entries JE # 2

To record CY property tax.

C.01

010-105-000	TAXES RECEIVABLE		108,872.41	
021-105-000	TAXES RECEIVABLE		8,847.85	
022-105-000	TAXES RECEIVABLE		8,925.43	
023-105-000	TAXES RECEIVABLE		10,773.24	
024-105-000	TAXES RECEIVABLE		10,849.24	
061-105-000	TAXES RECEIVABLE		16,558.30	
010-105-100	UNCOLLECTIBLE TAX ALLO			5,224.86
010-233-100	DEFERRED REVENUE			103,647.55
021-105-100	UNCOLLECTIBLE TAX ALLO			432.71
021-233-100	DEFERRED REVENUE			8,415.15
022-105-100	UNCOLLECTIBLE TAX ALLO			436.50
022-233-100	DEFERRED REVENUE			8,488.93
023-105-100	UNCOLLECTIBLE TAX ALLO			526.87
023-233-100	DEFERRED REVENUE			10,246.38
024-105-100	UNCOLLECTIBLE TAX ALLO			530.59
024-233-100	DEFERRED REVENUE			10,318.64
061-105-100	UNCOLLECTIBLE TAX ALLO			1,028.75
061-233-100	DEFERREF REVENUE			15,529.54
Total			164,826.47	164,826.47

Adjusting Journal Entries JE # 3

To correct sales tax accrual entry.

C.02

010-110-000	SALES TAX RECEIVABLE		432,380.33	
010-115-000	ACCOUNTS RECEIVABLE			432,380.33
Total			432,380.33	432,380.33

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Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 4		C.04		
To correct client's transfer dated 01.2018 entry.				
010-101-000	CASH IN BANK		14,446.92	
010-207-000	DUE TO OTHER FUNDS		1.00	
083-131-000	DUE FROM OTHER FUNDS		14,446.92	
010-207-000	DUE TO OTHER FUNDS			14,446.92
010-342-900	MISCELLANEOUS REVENUE			1.00
083-101-000	CASH IN BANK			14,446.92
Total			28,894.84	28,894.84
Adjusting Journal Entries JE # 5		J.01		
To correct PY 94 fund balance and adjust fund to actual.				
010-342-900	MISCELLANEOUS REVENUE		3,892.51	
094-101-000	CASH IN BANK		3,892.51	
010-101-000	CASH IN BANK			3,892.51
094-271-000	FUND BALANCE			3,892.51
Total			7,785.02	7,785.02
Adjusting Journal Entries JE # 6		E.01		
To correct invoice entered twice in Fund 35.				
035-201-000	VOUCHERS PAYABLE		77,440.07	
035-409-603	SENIOR CENTER #7215389			77,440.07
Total			77,440.07	77,440.07
Adjusting Journal Entries JE # 7				
To correct District Clerk bank account balances.				
080-101-400	TITLE IV CHILD SPRT-FS		76.15	
080-207-500	DUE TO DIST CLK-PETTY		650.00	
086-101-500	ROC INVEST #1- FNB#100		108.54	
086-101-700	ROC INVEST #2 - FNB#90		2,955.57	
086-207-000	DUE TO OTHER AGENCIES		1,500.00	
086-207-000	DUE TO OTHER AGENCIES		38,094.00	
086-207-225	DUE TO ROC TRUST AGENC		26,111.70	
086-207-225	DUE TO ROC TRUST AGENC		228,717.24	
080-101-500	DIST CLK PETTY CASH FN			650.00
080-207-400	DUE TO DIST CLK (TITLE			76.15
086-101-100	ROC (MAIN ACCT)-FNB#90			26,111.70
086-101-101	ROC (NEW) - FNB#902274			228,717.24
086-101-200	CASH BOND - FNB#900011			38,094.00
086-101-201	CASH BOND (NEW) - FNB#			1,500.00
086-207-225	DUE TO ROC TRUST AGENC			108.54
086-207-225	DUE TO ROC TRUST AGENC			2,955.57
Total			298,213.20	298,213.20

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Account	Description	W/P Ref	Debit	Credit
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Adjusting Journal Entries JE # 8

Client adjusting entries.

010-101-000	CASH IN BANK		108,926.75	
010-115-000	ACCOUNTS RECEIVABLE		1,865.64	
010-342-900	MISCELLANEOUS REVENUE		9,361.40	
032-207-200	SALES TAX DUE STATE		1,081.88	
032-700-010	TRANSFER TO GENERAL FU		108,926.75	
010-202-100	SALARIES PAYABLE			9,361.40
010-342-465	TRINITY CO. PRO RATA R			665.18
010-342-466	SAN JAC CO. PRO RATA R			1,200.46
010-370-032	TRANSFER FROM WASTE MA			108,926.75
032-101-000	CASH IN BANK			108,926.75
032-342-900	MISCELLANEOUS REVENUE			1,081.88
Total			230,162.42	230,162.42

Adjusting Journal Entries JE # 9

17 EMPG grant receivable.

010-115-000	ACCOUNTS RECEIVABLE		26,589.42	
010-330-696	EMA ASSISTANCE (EMPG)			26,589.42
Total			26,589.42	26,589.42

Adjusting Journal Entries JE # 10

To record receivable for indigent defense.

010-115-000	ACCOUNTS RECEIVABLE		13,738.50	
010-333-426	INDIGENT DEFENSE GRANT			13,738.50
Total			13,738.50	13,738.50

Adjusting Journal Entries JE # 11

To record county clerk activity.

A.02zd

081-207-800	DUE TO BENEFICIARY		60.55	
081-101-225	CO CLERK REGISTRY OF T			60.55
Total			60.55	60.55

Adjusting Journal Entries JE # 12

To correct due to grant fund entry in the grant fund.

035-131-000	DUE FROM OTHER FUNDS		97,597.95	
035-331-150	#2012-040364 EXEC/PPH			11,782.56
035-331-206	CORRIGAN OSB LLC PROJ			19,143.90
035-331-300	SENIOR CENTER #7215389			66,671.49
Total			97,597.95	97,597.95

Adjusting Journal Entries JE # 13

To record retainage payable

E.06

035-115-000	ACCOUNTS RECEIVABLE		33,245.61	
035-409-603	SENIOR CENTER #7215389		33,245.61	
035-201-000	VOUCHERS PAYABLE			33,245.61
035-331-300	SENIOR CENTER #7215389			33,245.61
Total			66,491.22	66,491.22

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Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 14		E.01		
To record accounts payable.				
035-409-616	#7215092-CORRIGAN OSB		66,421.09	
035-201-000	VOUCHERS PAYABLE			66,421.09
Total			66,421.09	66,421.09
Adjusting Journal Entries JE # 15				
To correct client's entry for GLO grant.				
035-409-614	GLO CONT# 10-5226-000-		87,617.70	
035-331-204	GLO CONT# 10-5226-000-			87,617.70
Total			87,617.70	87,617.70
Adjusting Journal Entries JE # 16				
To record FEMA grant receivable.				
024-115-000	ACCOUNTS RECEIVABLE		103,325.45	
035-115-000	ACCOUNTS RECEIVABLE		76,000.00	
024-333-336	FEMA			103,325.45
035-331-050	FEMA PROJECT REVENUES			76,000.00
Total			179,325.45	179,325.45
Adjusting Journal Entries JE # 17		I.06		
To record Series 2017 bond refunding.				
061-390-400	BONDS PROCEEDS		1,662.49	
061-390-400	BONDS PROCEEDS		2,208.35	
061-873-000	DEBT-Escrow Payment		4,119,068.88	
061-873-553	BOND ISSUANCE COST		79,095.96	
061-873-554	DISCOUNT-2017 COB		21,125.87	
061-390-401	PREMIUM ON BONDS			320,953.20
061-390-600	2017 GEN OBLIGATION REFUNDING			3,900,000.00
061-873-553	BOND ISSUANCE COST			2,208.35
Total			4,223,161.55	4,223,161.55