



## Required Auditor Disclosure Letter

March 29, 2017

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

*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 9/30/16  
 Period Ending: 9/30/2016  
 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 correct fund balance.

056-512-491	INMATE SUPPLIES		106.00	
056-271-000	FUND BALANCE			106.00
<b>Total</b>			<b>106.00</b>	<b>106.00</b>

**Adjusting Journal Entries JE # 2**

To correct negative cash.

010-207-089	DUE TO PAYROLL		47.76	
089-101-000	CASH IN BANK		47.76	
010-101-000	CASH IN BANK			47.76
089-131-010	DUE FROM GENERAL FUND			47.76
<b>Total</b>			<b>95.52</b>	<b>95.52</b>

**Adjusting Journal Entries JE # 3**

To adjust for deferred revenue and property tax receivable for FY.

010-105-100	UNCOLLECTIBLE TAX ALLO		1,340.23	
010-233-100	DEFERRED REVENUE		13,245.85	
021-105-100	UNCOLLECTIBLE TAX ALLO		201.99	
021-233-100	DEFERRED REVENUE		3,299.74	
022-105-100	UNCOLLECTIBLE TAX ALLO		203.76	
022-233-100	DEFERRED REVENUE		3,328.68	
023-105-100	UNCOLLECTIBLE TAX ALLO		245.94	
023-233-100	DEFERRED REVENUE		4,017.81	
024-105-100	UNCOLLECTIBLE TAX ALLO		247.68	
024-233-100	DEFERRED REVENUE		4,046.15	
061-105-100	UNCOLLECTIBLE TAX ALLO		788.83	
061-233-100	DEFERREF REVENUE		12,487.02	
010-105-000	TAXES RECEIVABLE			14,586.08
021-105-000	TAXES RECEIVABLE			3,501.73
022-105-000	TAXES RECEIVABLE			3,532.44
023-105-000	TAXES RECEIVABLE			4,263.75
024-105-000	TAXES RECEIVABLE			4,293.83
061-105-000	TAXES RECEIVABLE			13,275.85
<b>Total</b>			<b>43,453.68</b>	<b>43,453.68</b>

Client: *Polk County, Texas*  
 Engagement: *4.1 - Polk County 9/30/16*  
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 Workpaper: *2.5.06 - Adjusting Journal Entries Report*

Account	Description	W/P Ref	Debit	Credit
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**Adjusting Journal Entries JE # 4**

Client Adjusting Entries.

010-131-200	Due from other Entities		343.20	
010-401-013	TRANSFER TO JUSTICE CO		3,564.92	
010-645-404	INDIGENT HEALTH CARE		2,500.00	
013-207-000	DUE TO OTHER FUNDS		3,564.92	
018-390-411	BOND ISSUANCE COST		41,120.00	
080-207-500	DUE TO DIST CLK-PETTY CASH		50.00	
086-207-000	DUE TO OTHER AGENCIES		14,367.23	
086-207-225	DUE TO ROC TRUST AGENCIES		6,850.00	
010-131-000	DUE FROM OTHER FUNDS			3,564.92
010-466-407	APPEALS & TRANSCRIPTS			343.20
010-691-405	AUTOPSIES			2,500.00
013-340-010	TRANSFER FROM GEN FUND			3,564.92
018-390-400	OBLIGATION PROCEEDS			41,120.00
080-101-500	DIST CLK PETTY CASH FNB#9022			50.00
086-101-100	ROC (MAIN ACCT)-FNB#9000135			175.00
086-101-101	ROC (NEW) - FNB#9022740			14,192.23
086-101-200	CASH BOND - FNB#9000119			4,350.00
086-101-201	CASH BOND (NEW) - FNB#902275			2,500.00
<b>Total</b>			<u><u>72,360.27</u></u>	<u><u>72,360.27</u></u>

**Adjusting Journal Entries JE # 5**

To record retainage payable and receivable.

035-115-000	ACCOUNTS RECEIVABLE		87,617.70	
035-409-614	GLO CONT# 10-5226-000-		87,617.70	
035-201-000	VOUCHERS PAYABLE			87,617.70
035-331-204	GLO CONT# 10-5226-000-			87,617.70
<b>Total</b>			<u><u>175,235.40</u></u>	<u><u>175,235.40</u></u>

**Adjusting Journal Entries JE # 6**

To adjust proceeds posted to fund 61.

018-700-000	TRANSFER OUT		3,530.00	
061-390-400	ADDITIONAL PROCEEDS		3,530.00	
018-390-400	OBLIGATION PROCEEDS			3,530.00
061-390-010	TRANSFER FROM GENERAL			3,530.00
<b>Total</b>			<u><u>7,060.00</u></u>	<u><u>7,060.00</u></u>