



Required Auditor Disclosure Letter

March 12, 2012

To the Honorable County Judge and
Members of 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, 2011, and have issued our report thereon dated March 12, 2012. 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 February 22, 2010, 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.

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 meeting about planning matters on September 7, 2011.

III. Significant Audit Findings

I. *Qualitative Aspects of Accounting Practices*

- A. Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application.
- i. The significant accounting policies used by the County are described in Note I to the financial statements.
 - ii. No new accounting policies were adopted and the application of existing policies was not changed during the year.
 - iii. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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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 as 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 disclosures affecting the financial statements were:

The disclosure of long-term debt and debt service requirements given that bond interest, premium, and related deferred charges are among the largest expenditures within the County's finances and that they disclosed the County's long-term financial obligation to pay off debt; and

The disclosure of the County's component unit, IAH Public Facility Corporation, given that the County and the Corporation have entered into a number of legal agreements related to the operation and financing of the facility.

2. Difficulties Encountered in Performing the Audit

We did not encounter any 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 12, 2012.

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 Information in Documents Containing Audited Financial Statements

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 9/30/11*
 Period Ending: *9/30/2011*
 Workpaper: *2.5.06 - Adjusting Journal Entries Report*

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
Client AJE to correct various items.				
010-101-000	CASH IN BANK		261,360.78	
010-115-000	ACCOUNTS RECEIVABLE		10,000.00	
010-115-000	ACCOUNTS RECEIVABLE		15,878.00	
010-115-000	ACCOUNTS RECEIVABLE		17,486.04	
010-131-021	DUE FROM R&B #1		573.58	
010-131-021	DUE FROM R&B #1		2,565.81	
010-131-021	DUE FROM R&B #1		3,213.85	
010-131-022	DUE FROM R&B #2		589.51	
010-131-022	DUE FROM R&B #2		1,586.07	
010-131-022	DUE FROM R&B #2		2,971.08	
010-131-022	DUE FROM R&B #2		3,303.05	
010-131-023	DUE FROM R&B #3		688.54	
010-131-023	DUE FROM R&B #3		3,858.11	
010-131-023	DUE FROM R&B #3		3,994.64	
010-131-024	DUE FROM R&B #4		697.76	
010-131-024	DUE FROM R&B #4		3,829.83	
010-131-024	DUE FROM R&B #4		3,909.64	
010-131-061	DUE FROM DEBT SERV		2,335.16	
010-131-061	DUE FROM DEBT SERV		13,068.33	
010-134-426	A/R IAH-DOJ		123,503.25	
010-134-426	A/R IAH-DOJ		126,425.00	
010-134-426	A/R IAH-DOJ		133,513.50	
010-229-200	IAH-CIVIGENICS PAYABLE		1,614,246.73	
010-230-000	WORKERS COMP PAYABLE		22,992.90	
010-342-900	MISCELLANEOUS REVENUE		4.16	
010-401-352	CONTINGENCIES		154.82	
010-409-204	WORKERS COMPENSATION		9,117.93	
010-409-206	UNEMPLOYMENT INSURANCE		5,108.39	
021-131-500	DUE FROM OTHER FUNDS		0.08	
021-131-500	DUE FROM OTHER FUNDS		60.43	
021-131-500	DUE FROM OTHER FUNDS		232.50	
021-131-500	DUE FROM OTHER FUNDS		813.34	
021-230-000	WORKERS COMP PAYABLE		2,565.81	
021-310-110	TAXES - CURRENT		573.58	
021-310-135	REFUNDED TAXES		3,213.85	
021-321-200	AUTO REGISTRATION FEES		1,241.25	
022-131-500	DUE TO OTHER FUNDS		409.51	
022-131-500	DUE TO OTHER FUNDS		1,023.21	
022-230-000	WORKERS COMP PAYABLE		2,971.08	
022-310-110	TAXES - CURRENT		589.51	
022-310-120	TAXES DELINQUENT		1,621.58	
022-310-135	REFUNDED TAXES		3,303.05	
022-319-300	FINES		25.67	
022-321-200	AUTO REGISTRATION FEES		0.01	
023-131-500	DUE FROM OTHER FUNDS		22.92	
023-131-500	DUE FROM OTHER FUNDS		279.26	
023-131-500	DUE FROM OTHER FUNDS		480.69	
023-230-000	WORKERS COMP PAYABLE		3,994.64	
023-310-110	TAXES - CURRENT		688.54	
023-310-135	REFUNDED TAXES		3,858.11	

Client: *Polk County, Texas*
 Engagement: *4.1 - Polk County 9/30/11*
 Period Ending: *9/30/2011*
 Workpaper: *2.5.06 - Adjusting Journal Entries Report*

Account	Description	W/P Ref	Debit	Credit
023-321-200	AUTO REGISTRATION FEES		983.10	
024-131-500	DUE FROM OTHER FUNDS		282.95	
024-131-500	DUE FROM OTHER FUNDS		1,201.15	
024-131-500	DUE FROM OTHER FUNDS		1,703.54	
024-230-000	WORKERS COMP PAYABLE		3,829.83	
024-310-110	TAXES - CURRENT		697.76	
024-310-135	REFUNDED TAXES		3,909.64	
024-319-300	FINES		57.68	
024-321-300	LICENSE TAX		1,703.54	
027-230-000	WORKERS COMP PAYABLE		22.86	
051-230-000	WORKERS COMP PAYABLE		317.21	
061-310-110	TAXES - CURRENT		2,335.16	
061-310-120	TAXES - DELINQUENT		759.28	
061-310-135	REFUNDED TAXES		13,068.33	
080-101-225	DIST.CLK CC - FSB#1738		3,142.00	
080-101-400	TITLE IV CHILD SPRT-FS		504.28	
080-207-500	DUE TO DIST CLK-PETTY		651.95	
080-450-250	TDCJ EXPENDITURES		1,333.49	
086-101-100	ROC (MAIN ACCT)-FNB#90		744,028.12	
086-101-200	CASH BOND - FNB#900011		31,910.00	
086-207-225	DUE TO ROC TRUST AGENC		9,295.03	
086-207-225	DUE TO ROC TRUST AGENC		41,718.27	
086-207-225	DUE TO ROC TRUST AGENC		72,024.49	
010-101-000	CASH IN BANK			4.16
010-101-000	CASH IN BANK			13,361.36
010-101-000	CASH IN BANK			22,992.90
010-115-000	ACCOUNTS RECEIVABLE			123,503.25
010-115-000	ACCOUNTS RECEIVABLE			126,425.00
010-115-000	ACCOUNTS RECEIVABLE			133,513.50
010-115-000	ACCOUNTS RECEIVABLE			1,614,246.73
010-201-000	VOUCHERS PAYABLE			261,360.78
010-207-035	DUE TO GRANT FUND			154.82
010-230-000	WORKERS COMP PAYABLE			5,108.39
010-230-000	WORKERS COMP PAYABLE			9,117.93
010-310-110	TAXES - CURRENT			4,884.55
010-310-120	TAXES - DELINQUENT			1,586.07
010-310-135	REFUNDED TAXES			27,352.98
010-330-689	CWPP GRANT - TX FOREST			10,000.00
010-342-485	SB1704 JUROR FEE REIMB			15,878.00
010-342-549	DELQ.TAX-OFFICE REIMBU			311.36
010-342-550	DELQ.TAX-PERSONNEL REI			17,174.68
021-207-000	DUE TO OTHER FUNDS			1,241.25
021-207-010	DUE TO GENERAL FUND			573.58
021-207-010	DUE TO GENERAL FUND			2,565.81
021-207-010	DUE TO GENERAL FUND			3,213.85
021-310-120	TAXES DELINQUENT			0.08
021-310-120	TAXES DELINQUENT			232.50
021-319-300	FINES			60.43
021-321-300	LICENSE TAX			813.34
022-131-500	DUE TO OTHER FUNDS			0.01
022-207-000	DUE FROM OTHER FUNDS			25.67
022-207-000	DUE FROM OTHER FUNDS			1,621.58
022-207-010	DUE TO GENERAL FUND			589.51
022-207-010	DUE TO GENERAL FUND			2,971.08
022-207-010	DUE TO GENERAL FUND			3,303.05
022-321-200	AUTO REGISTRATION FEES			1,023.21
022-321-300	LICENSE TAX			409.51

Client: Polk County, Texas
 Engagement: 4.1 - Polk County 9/30/11
 Period Ending: 9/30/2011
 Workpaper: 2.5.06 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
023-207-000	DUE TO OTHER FUNDS			983.10
023-207-010	DUE TO GENERAL FUND			688.54
023-207-010	DUE TO GENERAL FUND			3,858.11
023-207-010	DUE TO GENERAL FUND			3,994.64
023-310-120	TAXES DELINQUENT			279.26
023-319-300	FINES			22.92
023-321-300	LICENSE TAX			480.69
024-131-500	DUE FROM OTHER FUNDS			282.95
024-131-500	DUE FROM OTHER FUNDS			1,703.54
024-207-000	DUE TO OTHER FUNDS			57.68
024-207-000	DUE TO OTHER FUNDS			1,703.54
024-207-010	DUE TO GENERAL FUND			697.76
024-207-010	DUE TO GENERAL FUND			3,829.83
024-207-010	DUE TO GENERAL FUND			3,909.64
024-321-200	AUTO REGISTRATION FEES			1,201.15
027-101-000	CASH IN BANK			22.86
051-101-000	CASH IN BANK			317.21
061-207-000	DUE TO OTHER FUNDS			759.28
061-207-000	DUE TO OTHER FUNDS			2,335.16
061-207-000	DUE TO OTHER FUNDS			13,068.33
080-101-250	TDCJ - DIST CLK - FSB#			1,333.49
080-101-500	DIST CLK PETTY CASH FN			651.95
080-207-225	DUE TO DIST CLK (CC)			3,142.00
080-207-400	DUE TO DIST CLK (TITLE			504.28
086-101-300	ROC - FNB INDIVIDUAL T			41,718.27
086-101-400	ROC - FSB INDIVIDUAL T			72,024.49
086-101-500	ROC INVEST ACCT-FNB#10			9,295.03
086-207-000	DUE TO OTHER AGENCIES			31,910.00
086-207-225	DUE TO ROC TRUST AGENC			744,028.12
Total			3,350,424.74	3,350,424.74

Adjusting Journal Entries JE # 2

To correct receivables, entry made twice.

010-115-000	ACCOUNTS RECEIVABLE		2,515.44	
010-342-900	MISCELLANEOUS REVENUE		5,966.27	
010-115-000	ACCOUNTS RECEIVABLE			5,966.27
010-330-475	VCLG GRANT - DA			2,515.44
Total			8,481.71	8,481.71

Adjusting Journal Entries JE # 3

To record adjustment to property tax receivable and deferred revenue.

010-105-000	TAXES RECEIVABLE		71,373.41	
021-105-000	TAXES RECEIVABLE		4,760.20	
022-105-000	TAXES RECEIVABLE		5,671.30	
023-105-000	TAXES RECEIVABLE		13,852.26	
024-105-000	TAXES RECEIVABLE		9,229.55	
061-105-000	TAXES RECEIVABLE		23,824.20	
010-233-100	DEFERRED REVENUE			71,373.41
021-233-100	DEFERRED REVENUE			4,760.20
022-233-100	DEFERRED REVENUE			5,671.30
023-233-100	DEFERRED REVENUE			13,852.26

Client: *Polk County, Texas*
 Engagement: *4.1 - Polk County 9/30/11*
 Period Ending: *9/30/2011*
 Workpaper: *2.5.06 - Adjusting Journal Entries Report*

Account	Description	W/P Ref	Debit	Credit
024-233-100	DEFERRED REVENUE			9,229.55
061-233-100	DEFERREF REVENUE			23,824.20
Total			<u>128,710.92</u>	<u>128,710.92</u>

Adjusting Journal Entries JE # 4

To accrue sales tax receivable for fiscal year.

010-110-000	SALES TAX RECEIVABLE		10,271.26	
010-318-150	SALES TAX			10,271.26
Total			<u>10,271.26</u>	<u>10,271.26</u>

Adjusting Journal Entries JE # 5

To correct interfund balances.

010-131-000	DUE FROM OTHER FUNDS		142.00	
010-342-900	MISCELLANEOUS REVENUE			142.00
Total			<u>142.00</u>	<u>142.00</u>

Adjusting Journal Entries JE # 6

To record unrecorded interest.

020-151-100	MBIA-2007 C/O SERIES		156.46	
020-340-100	INTEREST--2007 C/O SER			156.46
Total			<u>156.46</u>	<u>156.46</u>