



## Required Auditor Disclosure Letter

July 19, 2022

To the Honorable County Judge and  
Members of the Commissioners' Court of  
Hardin County, Texas:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hardin County, Texas (the "County") as of and for the year ended September 30, 2021, and have issued our report thereon dated July 19, 2022. Professional standards require that we provide the 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 November 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 management in our engagement letter dated November 6, 2019.

### 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 the notes of the financial statements, the County changed accounting principles related to accounting for fiduciary activities by adopting Government Accounting Standards Board 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 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 July 19, 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, 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 section, 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, LLLP*

Belt Harris Pechacek, LLLP  
Certified Public Accountants  
Houston, Texas

Client: **Hardin County, Texas**  
 Engagement: **Hardin County 09/30/2021**  
 Period Ending: **9/30/2021**  
 Workpaper: **2.5.06 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>		<b>I.01</b>		
To reclass lease payments				
010-490-670	EQUIPMENT NOTE INTERES		250.11	
017-133-020	PREPAID OTHER		50,000.00	
017-621-649	EQUIPMENT NOTES		25,000.00	
017-623-649	EQUIPMENT NOTES		50,000.00	
010-490-649	EQUIPMENT NOTE			250.11
017-621-570	EQUIPMENT PURCHASE			25,000.00
017-623-570	EQUIPMENT PURCHASE			100,000.00
<b>Total</b>			<b>125,250.11</b>	<b>125,250.11</b>
<b>Adjusting Journal Entries JE # 2</b>		<b>J.01</b>		
To adjust opening balances to actuals				
010-401-490	MISCELLANEOUS		35,895.93	
406-271-000	EQUITY		499,709.00	
010-271-000	EQUITY			35,895.93
406-223-100	DEFERRED REVENUE			52,191.18
406-223-100	DEFERRED REVENUE			298,274.43
406-330-102	REVENUE-PERMANENT WORK			38,293.04
406-330-102	REVENUE-PERMANENT WORK			110,950.35
<b>Total</b>			<b>535,604.93</b>	<b>535,604.93</b>
<b>Adjusting Journal Entries JE # 3</b>		<b>C.01</b>		
To record CY property tax activity				
010-108-000	ALLOWANCE FOR UNCOLLEC		501.15	
010-222-000	DEFERRED REVENUES-TAXE		9,521.96	
017-107-000	TAXES RECEIVABLE		1,348.98	
053-105-101	TAXES RECEIVABLE		2,924.16	
067-108-000	ALLOWANCE FOR UNCOLLEC		58.69	
067-222-000	DEFERRED REVENUE-TAXES		1,115.09	
010-107-000	TAXES RECEIVABLE			10,023.11
017-108-000	ALLOWANCE FOR UNCOLLEC			26.98
017-222-000	DEFERRED REVENUE - TAX			1,322.00
053-105-109	ALLOWANCE FOR UNCOLLEC			58.48
053-222-101	DEFERRED REVENUE - TAX			2,865.68
067-107-000	TAXES RECEIVABLE			1,173.78
<b>Total</b>			<b>15,470.03</b>	<b>15,470.03</b>
<b>Adjusting Journal Entries JE # 4</b>				
To correct transfer posted to deferred revenue.				
017-623-490	MISCELLANEOUS		587.13	
406-223-100	DEFERRED REVENUE		345,364.00	
017-623-356	GRANT MATCH			587.13
406-331-405	LOCAL MATCH-BEAVER BRO			345,364.00
<b>Total</b>			<b>345,951.13</b>	<b>345,951.13</b>

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 Workpaper: **2.5.06 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 5</b>				
Client adjusting entry.				
010-133-000	PREPAID EXPENSES		526.11	
010-133-020	PREPAID OTHER		99.22	
010-133-100	PREPAID HEALTH		10.00	
010-401-206	UNEMPLOYMENT INSURANCE		1,634.56	
017-140-139	DUE FROM HURRICANE HAR		547,462.91	
406-100-100	CASH-HURRICANE HARVEY		547,462.91	
010-133-000	PREPAID EXPENSES			99.22
010-133-000	PREPAID EXPENSES			1,634.56
010-133-105	PREPAID APPRAISAL DIST			526.11
010-133-205	PREPAID EMPLOYEE			10.00
017-100-100	GENERAL R&B - CASH ACC			547,462.91
406-210-100	DUE TO R&B FUND			547,462.91
<b>Total</b>			<b>1,097,195.71</b>	<b>1,097,195.71</b>
<b>Adjusting Journal Entries JE # 6</b>				
To record current year capital lease obligations.				
017-621-570	EQUIPMENT PURCHASE		106,514.40	
017-623-570	EQUIPMENT PURCHASE		143,430.53	
017-624-570	EQUIPMENT PURCHASE		157,911.30	
521-500-575	Capital Outlay		87,556.40	
017-300-700	Capital lease proceeds			106,514.40
017-300-700	Capital lease proceeds			143,430.53
017-300-700	Capital lease proceeds			157,911.30
521-300-300	Capital lease proceeds			87,556.40
<b>Total</b>			<b>495,412.63</b>	<b>495,412.63</b>
<b>Adjusting Journal Entries JE # 7</b>				
To record unearned grant funds not received and set up due to/from general fund.				
010-401-392	TRANSFER TO OTHER FUNDS		233,973.61	
521-100-100	Cash		233,973.61	
521-330-401	REVENUE-PROJECT 1 STAT		53,599.35	
521-330-402	REVENUE-PROJECT 2 STAT		139,556.27	
521-330-403	REVENUE-PROJECT 3 STAT		40,817.99	
010-100-100	GENERAL - CASH ACCOUNT			233,973.61
521-223-101	Unearned revenue			53,599.35
521-223-102	Unearned revenue			139,556.27
521-233-403	Unearned revenue			40,817.99
521-390-310	Transfer in			233,973.61
<b>Total</b>			<b>701,920.83</b>	<b>701,920.83</b>

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Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 8</b>				
Restatement to implement GASB 84 and post current year activity.				
056-203-000	SEIZURES PAYABLE		132,328.57	
056-400-401	Distribution of seizures		33,411.00	
090-210-102	DUE OTHERS-TAX OFC-VIT		410,072.58	
090-210-103	DUE OTHERS-TAX OFC-MOT		172,995.89	
090-210-104	DUE OTHERS-INMATE TRUS		13,743.01	
090-210-104	DUE OTHERS-INMATE TRUS		207,138.92	
090-210-105	DUE OTHERS-CA TRUST		647.64	
090-210-106	DUE OTHERS-TAX ASSESSO		410,673.45	
090-210-107	DUE OTHERS-DA RESTITUT		6,671.41	
090-210-108	DUE OTHERS-DA COMPTROL		4,171.64	
090-210-109	DUE OTHERS-DA WELFARE		56.44	
090-210-110	DUE OTHERS-CC REGISTRY		26,428.97	
090-210-111	DUE OTHERS-CC REGISTRY		116,068.32	
090-210-112	DUE OTHERS-CC REGISTRY		12,837.62	
090-210-114	DUE OTHERS-DC REGISTRY		808,721.03	
090-210-115	DUE OTHERS-CC REGISTRY		701,050.53	
090-400-401	Disbursed to Inmates		542,677.33	
091-100-107	Cash-DA Restitution AC		6,671.41	
091-100-108	Cash-DA Comptroller AC		4,171.64	
091-100-109	Cash-DA Welfare		56.44	
091-210-107	Due to others-DA Restitution		11,434.64	
091-210-108	Due to others-DA Comptroller		2,631.06	
091-400-401	Restitution paid out		34,777.43	
091-400-402	Disbursed to Comptroller		27,368.94	
092-100-106	CASH-TAC AD VALOREM ES		231,285.47	
092-100-115	CASH-TAX OFFICE-MOTOR		172,995.89	
092-100-116	CASH-TAX OFFICE-VIT ES		410,072.58	
092-100-117	CASH-TAC ADVALOREM PRO		179,387.98	
092-210-101	Tax Office-Voter Registrar Due to Others		39,773.04	
092-210-103	DUE OTHERS-TAX OFC-MOT		42,890.23	
092-210-106	DUE OTHERS-TAX ASSESSO		49,782.43	
092-400-401	Taxing Entities		100,693,137.89	
093-100-105	CASH-COUNTY ATTORNEY T		647.64	
093-400-401	Disbursements		9,772.60	
094-100-110	CASH-CC REGISTRY-WFB		26,428.97	
094-100-111	CASH-CC REGISTRY-COMPA		116,068.32	
094-100-112	CASH-CC REGISTRY-CITIZ		12,837.62	
094-100-118	CASH-CC REGISTRY-RIVES		701,050.53	
094-210-110	DUE OTHERS-CC REGISTRY		0.27	
094-210-111	DUE OTHERS-CC REGISTRY		16,770.74	
094-210-112	DUE OTHERS-CC REGISTRY		68.15	
094-210-115	DUE OTHERS-CC REGISTRY		258,208.93	
094-400-401	Disbursements to beneficiaries		190,936.78	
095-100-114	CASH-DC REGISTRY OF COURT		96,749.17	
095-100-115	Compass Individual - ROC		129,239.19	
095-100-116	Citizens Individual - ROC		438,418.39	

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 Workpaper: **2.5.06 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
095-100-117	Well Fargo Individual - ROC		144,314.28	
095-210-114	DUE OTHERS-DC REGISTRY		338,479.54	
095-400-401	Disbursements to beneficiaries		882,219.16	
056-203-000	SEIZURES PAYABLE			33,411.00
056-271-000	Fund Balance			132,328.57
090-100-105	CASH-COUNTY ATTORNEY T			647.64
090-100-106	CASH-TAC AD VALOREM ES			231,285.47
090-100-107	CASH-DA RESTITUTION AC			6,671.41
090-100-108	CASH-DA COMPTROLLER AC			4,171.64
090-100-109	CASH-DA WELFARE FRAUD			56.44
090-100-110	CASH-CC REGISTRY-WFB			26,428.97
090-100-111	CASH-CC REGISTRY-COMPA			116,068.32
090-100-112	CASH-CC REGISTRY-CITIZ			12,837.62
090-100-114	CASH-DC REGISTRY OF CO			808,721.03
090-100-115	CASH-TAX OFFICE-MOTOR			172,995.89
090-100-116	CASH-TAX OFFICE-VIT ES			410,072.58
090-100-117	CASH-TAC ADVALOREM PRO			179,387.98
090-100-118	CASH-CC REGISTRY-RIVES			701,050.53
090-271-000	FUND BALANCE			207,138.92
090-300-301	Collected from Inmates			554,876.70
090-300-302	Interest Revenue			1,543.64
091-210-107	Due to others-DA Restitution			11,434.64
091-210-108	Due to others-DA Comptroller			2,631.06
091-271-000	Equity			19,703.07
091-300-301	Restitution collected			23,342.79
091-300-302	Collections - Comptroller			30,000.00
092-210-102	DUE OTHERS-TAX OFC-VIT			39,773.04
092-210-103	DUE OTHERS-TAX OFC-MOT			42,890.23
092-210-106	DUE OTHERS-TAX ASSESSO			49,782.43
092-271-000	Equity			947,076.68
092-300-301	Tax Collection Revenue			8,375.78
092-300-301	Tax Collection Revenue			100,725,681.01
092-301-302	Interest revenue			5,746.34
093-210-105	DUE OTHERS-CA TRUST			647.64
093-300-301	Collection Revenue			9,772.60
094-210-110	DUE OTHERS-CC REGISTRY			16,770.74
094-210-111	DUE OTHERS-CC REGISTRY			0.27
094-210-112	DUE OTHERS-CC REGISTRY			68.15
094-210-115	DUE OTHERS-CC REGISTRY			258,208.93
094-271-000	Equity			581,337.35
094-300-301	REVENUE			465,915.83
094-300-302	Interest revenue			69.04
095-210-114	DUE OTHERS-DC REGISTRY			338,479.54
095-271-000	EQUITY			1,147,200.57
095-300-301	REVENUE			535,627.46
095-300-302	Interest revenue			8,112.16
<b>Total</b>			<b>108,868,341.70</b>	<b>108,868,341.70</b>