

*SINGLE AUDIT REPORTS*  
**HARDIN COUNTY, TEXAS**

For the Year Ended  
September 30, 2017

# HARDIN COUNTY, TEXAS

## SINGLE AUDIT REPORTS

September 30, 2017

### TABLE OF CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	1
<b>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	3
<b>SCHEDULES</b>	
<i>SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS</i>	6
<i>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</i>	7
<i>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</i>	8
<i>NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS</i>	9



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

June 15, 2018

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2017; and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 15, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM  
GUIDANCE, AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

June 15, 2018

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

**Report on Compliance for Each Major Federal Program**

We have audited Hardin County's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended September 30, 2017. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

## **Opinion on Each Major Federal Program**

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

## **Report on Internal Control Over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We have issued our report thereon dated June 15, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas

**HARDIN COUNTY, TEXAS**  
***SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS***  
For the Year Ended September 30, 2017

**A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS**

None



**HARDIN COUNTY, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended September 30, 2017

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unmodified opinion on the basic financial statements of Hardin County, Texas.
2. Significant deficiencies in internal control were not disclosed by the audit of the financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed by the audit.
5. The auditors' report on compliance for the major federal award programs expresses an unmodified opinion.
6. No audit findings relative to the major federal award programs for the County are reported.
7. The programs included as major programs are:

<u>CFDA</u>	<u>Program Name</u>
14.228	Community Development Block Grant

8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The County did qualify as a low-risk auditee.

**B. FINDINGS – BASIC FINANCIAL STATEMENTS AUDIT**

None

**C. FINDINGS – FEDERAL AWARDS**

None

**HARDIN COUNTY, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended September 30, 2017

Department/Pass-Through Agency/Program Name	Program/Grant/ Project Number	CFDA Number	Expenditures
<b>US DEPARTMENT OF AGRICULTURE</b>			
<i>Pass-through Department of State Health Services:</i>			
NNS-WIC Local Agency	2017-049808-001	10.557	\$ 227,723
<b>Total US Department of Agriculture</b>			<u>227,723</u>
<b>US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Pass-through Texas General Land Office:</i>			
Community Development Block Grant DRS010002	10-5004-000-4978	14.228	13,895
Community Development Block Grant DRS220002	13-130-000-7192	14.228	1,887,166
<b>Total US Department of Housing and Urban Development</b>			<u>1,901,061</u>
<b>US DEPARTMENT OF JUSTICE</b>			
<i>Pass-Through Office of the Governor, Criminal Justice Division:</i>			
Felony VAWA Prosecutor	2826903	16.588	102,595
Felony VAWA Prosecutor	2826904	16.588	9,666
			<b>Subtotal</b>
			<u>112,261</u>
Victims Assistance Center	1366017	16.575	193,011
<b>Total US Department of Justice</b>			<u>305,272</u>
<b>US DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Pass-through State Department of Family and Protective Services:</i>			
Title IV-E Foster Care Program	24118450	93.658	6,908
Title IV-E Child Welfare	23938999	93.658	2,822
			<b>Subtotal</b>
			<u>9,730</u>
<i>Pass-through Department of State Health Services:</i>			
IMM/LOCALS Immunization Branch-Locals	2016-001296-01	93.268	107,305
IMM/LOCALS Immunization Branch-Locals	537-18-0082-00001	93.268	2,716
			<b>Subtotal</b>
			<u>110,021</u>
CPS/Hazards (PHEP) - Year 16-17	2016-001168-00	93.074	153,263
CPS/Hazards (PHEP) - Year 17-18	537-18-0175-00001	93.074	40,596
			<b>Subtotal</b>
			<u>193,859</u>
CPS/Ebola (PHEP)	2015-003628-00	93.074	6,272
<b>Total US Department of Health and Human Services</b>			<u>319,882</u>
<b>US DEPARTMENT OF HOMELAND SECURITY</b>			
<i>Pass-Through State Department of Public Safety Division of Emergency Management:</i>			
Disaster Grants - Public Assistance	FEMA-4223-DR-TX	97.036	10,653
Emergency Management Performance Grants	17TX-EMPG-0383	97.042	34,694
Interoperable Communications	3107501	97.067	14,125
LETPA Console	3286701	97.067	49,506
			<b>Subtotal</b>
			<u>63,631</u>
<b>Total US Department of Homeland Security</b>			<u>108,978</u>
<b>Total Federal Expenditures</b>			<u>\$ 2,862,916</u>

**HARDIN COUNTY, TEXAS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended September 30, 2017

**NOTE 1: BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Hardin County, Texas, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Compliance Supplement*; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2: INDIRECT COST RATE**

The County elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

## Management Letter

June 15, 2018

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

The American Institute of Certified Public Accountants Statement on Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit* (SAS 115), provides guidance to auditors on communicating internal control matters to management and the governing body, board of directors, or equivalent body.

It is important to note when reviewing findings reported within this letter that classification of findings are based on the definitions required by SAS 115, as further discussed below. Please note that these classifications are based on the potential impact to the financial statements, not necessarily the likelihood of actual loss to the County. Accordingly, the County's assessment of the "significance" or ranking of severity will likely be substantially different based on a number of factors including, but not limited to, its assessment of risk and the cost benefit of making the change.

Our report is as follows:

In planning and performing our audit of 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, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be other matters.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our findings and additional comments are as follows:

### ***CURRENT YEAR MATTERS***

#### ***Other Matters:***

#### **2017-001. CAPITAL ASSETS**

##### **Condition**

The County is responsible for the recording and monitoring of all capital assets. During our audit, it appeared the purchasing department was not recognizing all County purchases that meet the capital asset addition requirement. It also appeared that capital asset disposals were listed on the County's capital asset listing, but were not included or were carried at a different balance from the schedule maintained for reporting purposes.

##### **Cause**

The County is not following its capital asset policy on when to recognize capital asset purchases and disposals.

##### **Effect**

The County is at risk for misstatement of capital assets on their financial statements.

##### **Recommendation**

The County should consider following their capital asset policy on when to recognize additions and disposals and reconcile the County's capital asset listing and the depreciation schedule maintained for reporting purposes.

##### **Corrective Action Plan**

The County will review and reconcile the capital asset schedule to determine whether transactions meet the capital asset criteria, as well as conduct an examination to check for existence and valuation. Any differences identified in the process will be appropriately adjusted as needed.

#### **2017-002. UNIFORM GUIDANCE – PROCUREMENT STANDARDS**

##### **Background**

When a nonfederal entity applies for federal grant monies and they are subsequently awarded, the nonfederal entity is subject to policies and procedures as set by the United States Office of Management and Budget (OMB). The OMB issued *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") that became effective in December 2014. Uniform Guidance was issued with the goal of reducing the administrative burden on award recipients as well as guarding against the risk of waste and misuse of federal funds. Because of the changes in guidance, the effective date for one section within the guidance, Subpart D, Procurement Standards, sections §200.317-§200.326, has been delayed until fiscal years

beginning on or after December 26, 2017. Accordingly, the County must be compliant with the procurement standard on October 1, 2018.

**Condition**

The County has a purchasing manual, effective September 2010, that does not have the Uniform Federal Procurement Standards written within the policy.

**Recommendation**

The County should review its existing procurement policies over expenditures made with federal grant monies and update as necessary to ensure compliance with procurement standards contained in Uniform Guidance for fiscal years beginning on or after December 26, 2017. The procurement standards can be found at <https://www.ecfr.gov> under Title 2, Subtitle A, Chapter II, Part 200, Subpart D.

**Management's Corrective Action Plan**

The County concurs with the recommendation and will review its purchasing policies as they relate to federal/state grants and consider any necessary revisions based on the Uniform Guidance.

***PRIOR YEAR MATTERS***

***Other Matters:***

**2016-002. CASH BASIS ACCOUNTING**

**Condition**

The County's books are currently maintained using the modified accrual basis of accounting with the exception of payroll, which is accounted for using the cash basis of accounting. The modified accrual method is included in generally accepted accounting principles for a governmental entity.

**Cause**

The County does not want to increase their expenditures for budgetary purposes during a single fiscal period for the implementation of this change of accounting.

**Effect**

The County's books are maintained using a separate basis of accounting from that of the audit financial report, which is presented using the modified accrual basis of accounting. The difference in accounting between the books and financial report causes differences in the numbers reported.

**Recommendation**

The County should consider using the modified accrual basis of accounting. The modified accrual basis is the method of accounting where revenues are recognized when available and expenditures are recognized when incurred. This method of accounting provides a more realistic picture to management of the County's current financial position and complies with generally accepted accounting principles. Failure to maintain the County's

books on the accrual basis of accounting may lead to financial decisions being made on incomplete data and cause differences in timing of reported expenditures.

**Corrective Action Plan**

The County will review and consider the cost benefit analysis of making the change.

**2016-003. DISTRICT ATTORNEY SEIZURE FUNDS**

**Condition**

The District Attorney is responsible for holding seized funds for the County. The listing provided by the District Attorney's office has an unidentified amount of \$17,818.

**Cause**

The District Attorney's office has not reconciled the seizures to court orders.

**Effect**

The seizure fund liability account and the related cash account may be overstated for funds held in error.

**Recommendation**

The District Attorney's office should reconcile the amount with court orders that is unidentified.

**Corrective Action Plan**

The District Attorney's office will investigate and reconcile the unidentified amount.

This communication is intended solely for the information and use of management, Commissioners' Court, the County Judge, and others within the County, and is not intended to be, and should not be, used by anyone other than these specified parties.

We would like to thank the Commissioners' Court, the County Judge, and the County's management for their cooperation during the course of our audit. Please feel free to contact us at your convenience to discuss this report or any other concerns that you may have.

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas

## Required Auditor Disclosure Letter

June 15, 2018

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, 2017, and have issued our report thereon dated June 15, 2018. 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 4, 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 management in our engagement letter dated November 4, 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 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 June 15, 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 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 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 09/30/2017**  
 Period Ending: **9/30/2017**  
 Workpaper: **2.5.06 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>		<b>F.04</b>		
To record CY payroll accrual.				
010-409-999	Accrued Salaries Expense		171,459.18	
017-620-999	Accrued Salaries Expense		19,063.36	
406-560-999	Accrued Salaries Expense		23,248.43	
595-201-000	9/30 ACCTS PAYABLE		2,972.88	
605-502-999	Accrued Salaries Expense		7,642.71	
805-502-999	Accrued Salaries Expense		16,449.49	
010-208-100	ACCRUED WAGES & FRINGE			171,459.18
017-208-000	ACCRUED WAGES			19,063.36
406-208-000	Salaries Payable			23,248.43
595-208-000	ACCRUED WAGES & FRINGE			2,972.88
605-208-000	ACCRUED WAGES			7,642.71
805-208-000	ACCRUED WAGES			16,449.49
<b>Total</b>			<b>240,836.05</b>	<b>240,836.05</b>
<b>Adjusting Journal Entries JE # 2</b>		<b>J.01</b>		
To correct general fund fund balance.				
010-409-490	MISCELLANEOUS		1,355.26	
010-271-000	EQUITY			1,355.26
<b>Total</b>			<b>1,355.26</b>	<b>1,355.26</b>
<b>Adjusting Journal Entries JE # 3</b>		<b>C.01</b>		
To record property tax receivable, allowance for uncollectible, and deferred revenue.				
010-107-000	TAXES RECEIVABLE		217,094.19	
010-108-000	ALLOWANCE FOR UNCOLLEC		652,281.73	
017-107-000	TAXES RECEIVABLE		8,801.95	
053-105-101	TAXES RECEIVABLE		10,904.67	
067-107-000	TAXES RECEIVABLE		4,268.46	
067-108-000	ALLOWANCE FOR UNCOLLEC		27,163.43	
010-222-000	DEFERRED REVENUES-TAXE			869,375.92
017-108-000	ALLOWANCE FOR UNCOLLEC			176.04
017-222-000	DEFERRED REVENUE - TAX			8,625.91
053-105-109	ALLOWANCE FOR UNCOLLEC			218.10
053-222-101	DEFERRED REVENUE - TAX			10,686.57
067-222-000	DEFERRED REVENUE-TAXES			31,431.89
<b>Total</b>			<b>920,514.43</b>	<b>920,514.43</b>

Client: **Hardin County, Texas**  
 Engagement: **Hardin County 09/30/2017**  
 Period Ending: **9/30/2017**  
 Workpaper: **2.5.06 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 4</b>		<b>2.4</b>		
Client adjusting entries.				
010-133-100	PREPAID HEALTH		276.20	
010-133-102	PREPAID LIFE		2.19	
010-140-137	DUE FROM OPERATING (09		539.31	
010-401-304	HEALTH INSURANCE		20.00	
010-401-304	HEALTH INSURANCE		43.54	
017-100-100	GENERAL R&B - CASH ACC		2,188.76	
017-100-100	GENERAL R&B - CASH ACC		7,000.00	
017-100-100	GENERAL R&B - CASH ACC		7,479.30	
098-201-000	ACCOUNTS PAYABLE		539.31	
410-622-334	MATERIALS & SUPPLIES		2,188.76	
410-622-334	MATERIALS & SUPPLIES		7,000.00	
410-622-334	MATERIALS & SUPPLIES		7,479.30	
505-202-100	SALARIES PAYABLE		5.10	
505-202-100	SALARIES PAYABLE		10.60	
605-120-102	A/R - W GRANT		3,167.15	
605-120-103	A/R - STATE A-100		14,611.71	
605-120-104	A/R - COMMITMENT D		3,267.24	
605-120-105	A/R - MENTAL HEALTH		4,262.21	
605-120-106	A/R - COMMUNITY PROGRA		4,740.05	
605-120-107	A/R - STATE AID PR		8,070.00	
010-133-100	PREPAID HEALTH			20.00
010-133-106	PREPAID COBRA			43.54
010-401-304	HEALTH INSURANCE			539.31
010-497-208	LIFE INSURANCE			2.19
010-561-202	HEALTH INSURANCE			276.20
017-622-334	MATERIALS & SUPPLIES			2,188.76
017-622-334	MATERIALS & SUPPLIES			7,000.00
017-622-334	MATERIALS & SUPPLIES			7,479.30
098-210-100	DUE TO GENERAL			539.31
410-100-100	CASH - TAC 2016 RCRP			2,188.76
410-100-100	CASH - TAC 2016 RCRP			7,000.00
410-100-100	CASH - TAC 2016 RCRP			7,479.30
505-502-204	WORKERS COMP			4.24
505-502-204	WORKERS COMP			6.36
505-502-206	STATE UNEMPLOYMENT TAX			2.04
505-502-206	STATE UNEMPLOYMENT TAX			3.06
605-120-100	ACCOUNTS RECEIVABLE			3,167.15
605-120-100	ACCOUNTS RECEIVABLE			3,267.24
605-120-100	ACCOUNTS RECEIVABLE			4,262.21
605-120-100	ACCOUNTS RECEIVABLE			4,740.05
605-120-100	ACCOUNTS RECEIVABLE			8,070.00
605-120-100	ACCOUNTS RECEIVABLE			14,611.71
<b>Total</b>			<b>72,890.73</b>	<b>72,890.73</b>
<b>Adjusting Journal Entries JE # 5</b>		<b>C.05</b>		
To clear due from debt service account.				
010-409-490	MISCELLANEOUS		0.02	
010-140-107	DUE FROM DEBT SERVICE			0.02
<b>Total</b>			<b>0.02</b>	<b>0.02</b>
<b>Adjusting Journal Entries JE # 6</b>				
To record retainage payable.				
070-510-531	ANNEX BUILDING CONSTRU		26,638.19	
070-201-000	ACCOUNTS PAYABLE			26,638.19
<b>Total</b>			<b>26,638.19</b>	<b>26,638.19</b>

Client: **Hardin County, Texas**  
 Engagement: **Hardin County 09/30/2017**  
 Period Ending: **9/30/2017**  
 Workpaper: **2.5.06 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 7</b>		<b>A.01</b>		
To record agency fund cash activity.				
090-100-103	Tax Office-Motor Vehicle		4,176.15	
090-100-104	Inmate Trust Fund		136,744.27	
090-100-105	County Attorney Trust Acct		647.64	
090-100-106	Tax Assessor Collector		4,105.49	
090-100-107	DA Restitution Acct		35,393.85	
090-100-108	DA Comptroller Acct		8,273.01	
090-100-109	DA Welfare Fraud		56.44	
090-100-110	County Clerk Registry of Court-Wells Fargo		181,858.84	
090-100-111	County Clerk Registry of Court-Compass		139,403.82	
090-100-112	County Clerk Registry of Court-Citizens		12,250.89	
090-100-113	County Clerk Registry of Court-Kirkland		577,823.60	
090-100-114	District Clerk - Registry of Court		262,288.90	
090-100-115	Tax Office-Motor Vehicle Collections		1,136,576.52	
090-100-116	Tax Office - VIT Escrow Acct NEW		352,813.81	
090-100-117	Tax Assessor Collector		288,418.34	
090-210-102	Tax Office-VIT Escrow Acct Due to Others			352,813.81
090-210-103	Tax Office-Motor Vehicle Due to Others			4,176.15
090-210-103	Tax Office-Motor Vehicle Due to Others			1,136,576.52
090-210-104	Inmate Trust Due to Others			136,744.27
090-210-105	County Attorney Trust Due to Others			647.64
090-210-106	Tax Assessor Due to Other			4,105.49
090-210-106	Tax Assessor Due to Other			288,418.34
090-210-107	DA Restitution Due to Others			35,393.85
090-210-108	DA Comptroller Due to Others			8,273.01
090-210-109	DA Welfare Fund Due to Others			56.44
090-210-110	County Clerk Registry of Court (Wells Fargo) Due to			181,858.84
090-210-111	County Clerk Registry of Court(Compass) Due to Others			139,403.82
090-210-112	County Clerk Registry of Court(Citizens) Due to Others			12,250.89
090-210-113	County Clerk Registry of Court-Kirkland Due to Others			577,823.60
090-210-114	District Clerk - Registry of Court Due to Others			262,288.90
<b>Total</b>			<b><u>3,140,831.57</u></b>	<b><u>3,140,831.57</u></b>
<b>Adjusting Journal Entries JE # 8</b>				
To record Hurricane Harvey funds received after year end.				
406-120-101	ACCOUNTS RECEIVABLE		573,242.69	
406-330-100	REVENUE-FEDERAL PAYMEN		1,330,257.31	
406-223-100	DEFERRED REVENUE			1,903,500.00
<b>Total</b>			<b><u>1,903,500.00</u></b>	<b><u>1,903,500.00</u></b>
<b>Adjusting Journal Entries JE # 9</b>		<b>1.01</b>		
To record new capital leases.				
010-500-700	Capital Outlay from Capital Lease		44,393.00	
010-500-700	Capital Outlay from Capital Lease		236,440.00	
017-500-700	Capital outlay from Capital lease		111,245.00	
017-500-700	Capital outlay from Capital lease		265,521.00	
010-300-700	Capital Lease Proceeds			44,393.00
010-300-700	Capital Lease Proceeds			236,440.00
017-300-700	Capital lease proceeds			111,245.00
017-300-700	Capital lease proceeds			265,521.00
<b>Total</b>			<b><u>657,599.00</u></b>	<b><u>657,599.00</u></b>