



Required Auditor Disclosure Letter Conclusion of Audit

August 18, 2023

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") for the year ended September 30, 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. We have communicated such information in our letter previously sent at the start of the annual audit. Professional standards also require that we communicate to the governing body the following information related to our audit.

I. 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 to the financial statements, the County changed accounting policies related to accounting for leases by adopting Governmental Accounting Standards Statement No. 87, *Leases*, in fiscal year 2022. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Net Position and the Statement of Activities. 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.

- 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 the audit, however, a concern over timing was noted. The date of completion of an audit is largely dependent on the date that complete and accurate information is provided to the auditors and the timeliness of responding to additional audit inquiries. The timeline for completion of the County's audit was extended beyond the originally scheduled time allotted for the audit because of the absence of complete and accurate information by the agreed upon start date and/or as additional audit inquiries were made. Such delays result in an increased risk of not meeting deadlines required by statutes and regulations, grantor requirements, continuing disclosure obligations, and/or the governing body's expectation.

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 clearly 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. Management has corrected all misstatements.

4. Disagreements with Management

For purposes of this letter, 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 August 18, 2023.

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.

8. Changes in Risk Assessment

No changes in risk assessment were noted in the completion of the audit as previously communicated in our planning letter.

II. 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 other supplementary 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.

III. 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 09/30/2022**
 Period Ending: **9/30/2022**
 Workpaper: **2.5.06 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
Client Journal Entries				
010-401-123	BANKING SERVICES		18,875.52	
010-401-594	SOFTWARE LICENSE/SUPPO		84.00	
010-401-594	SOFTWARE LICENSE/SUPPO		84.00	
010-401-594	SOFTWARE LICENSE/SUPPO		97.00	
010-401-594	SOFTWARE LICENSE/SUPPO		98.00	
017-367-103	R&B3 ROAD REPAIR REIMB		131,800.00	
017-622-670	EQUIPMENT NOTE INTERES		2,667.43	
994-100-101	CASH-CC REGISTRY-WFB		171.00	
010-360-100	INTEREST EARNED			18,875.52
010-401-595	CASE MANAGEMENT SOFTWA			84.00
010-401-595	CASE MANAGEMENT SOFTWA			84.00
010-401-595	CASE MANAGEMENT SOFTWA			97.00
010-401-595	CASE MANAGEMENT SOFTWA			98.00
017-223-000	DEFERRED REVENUE			131,800.00
017-622-649	EQUIPMENT NOTES			2,667.43
994-360-100	INTEREST REVENUE			171.00
Total			153,876.95	153,876.95
Adjusting Journal Entries JE # 2				
To correct SB7 funds posted to revenue, transferred to R&B1.				
406-331-102	LOCAL MATCH-PERMANENT		9,084.00	
406-330-102	REVENUE-PERMANENT WORK			9,084.00
Total			9,084.00	9,084.00
Adjusting Journal Entries JE # 3				
To correct tax analysis in C.01				
010-107-000	TAXES RECEIVABLE		280,056.96	
017-107-000	TAXES RECEIVABLE		76,052.06	
053-105-101	TAXES RECEIVABLE		13,255.28	
067-107-000	TAXES RECEIVABLE		6,156.72	
010-108-000	ALLOWANCE FOR UNCOLLEC			14,002.85
010-222-000	DEFERRED REVENUES-TAXE			266,054.11
017-108-000	ALLOWANCE FOR UNCOLLEC			1,521.04
017-222-000	DEFERRED REVENUE - TAX			74,531.02
053-105-109	ALLOWANCE FOR UNCOLLEC			265.11
053-222-101	DEFERRED REVENUE - TAX			12,990.17
067-108-000	ALLOWANCE FOR UNCOLLEC			307.84
067-222-000	DEFERRED REVENUE-TAXES			5,848.88
Total			375,521.02	375,521.02

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Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 4				
To correct transfers and record due to/from for general fund and detention pond fund.				
010-401-392	TRANSFER TO OTHER FUNDS		15,392.60	
010-401-411	GRANT ADMINISTRATIVE E			15,392.60
Total			15,392.60	15,392.60
Adjusting Journal Entries JE # 5				
To correct capital lease proceeds.				
017-622-570	EQUIPMENT PURCHASE		448,388.26	
017-623-570	EQUIPMENT PURCHASE		50,900.00	
017-623-570	EQUIPMENT PURCHASE		96,565.93	
017-300-700	Capital lease proceeds			544,954.19
017-300-701	Sale of Capital assets			50,900.00
Total			595,854.19	595,854.19
Adjusting Journal Entries JE # 6				
To correct fund balances.				
406-271-000	EQUITY		350,465.61	
606-271-000	EQUITY		11,286.85	
406-223-100	DEFERRED REVENUE			350,465.61
606-380-100	RESTITUTION COLLECTED			11,286.85
Total			361,752.46	361,752.46
Adjusting Journal Entries JE # 7				
To correct principle payments to balance.				
017-622-649	EQUIPMENT NOTES		1,394.46	
017-622-670	EQUIPMENT NOTE INTERES			1,394.46
Total			1,394.46	1,394.46
Adjusting Journal Entries JE # 8				
To move homeowner reimbursements to expense line item.				
437-500-560	Homeowner reimbursements		156,328.00	
437-330-101	LOCAL MATCH			156,328.00
Total			156,328.00	156,328.00

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Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 9				
To record implementation of GASB 87 lessor activity.				
022-120-110	LEASE RECEIVABLE		28,085.00	
022-222-100	DEFERRED INFLOW LEASES		1,971.00	
022-370-200	HANGAR LAND LEASE		1,905.00	
022-120-110	LEASE RECEIVABLE			1,792.00
022-222-100	DEFERRED INFLOW LEASES			28,085.00
022-340-100	INTEREST INCOME			113.00
022-370-200	HANGAR LAND LEASE			1,971.00
Total			31,961.00	31,961.00

Adjusting Journal Entries JE # 10

To implement GASB 87 for leases, separate interest

010-400-545	INTEREST ON LEASES		1,486.17	
010-403-545	INTEREST ON LEASES		87.20	
010-405-545	INTEREST ON LEASES		2.26	
010-409-545	INTEREST ON LEASES		174.15	
010-450-545	INTEREST ON LEASES		37.99	
010-456-545	INTEREST ON LEASES		9.85	
010-457-545	INTEREST ON LEASES		3.16	
010-458-545	INTEREST ON LEASES		184.14	
010-460-545	INTEREST ON LEASES		3.31	
010-475-545	INTEREST ON LEASES		21.15	
010-476-545	INTEREST ON LEASES		37.99	
010-495-545	INTEREST ON LEASES		7.26	
010-497-545	INTEREST ON LEASES		55.72	
010-499-462	OFFICE EQUIPMENT RENTA		165.30	
010-499-545	INTEREST ON LEASES		25.28	
010-505-490	MISCELLANEOUS		6,635.04	
010-505-545	INTEREST ON LEASES		27.59	
010-560-490	MISCELLANEOUS		1,959.84	
010-560-545	INTEREST ON LEASES		16.35	
010-561-545	INTEREST ON LEASES		94.20	
010-570-545	INTEREST ON LEASES		27.44	
010-645-490	MISCELLANEOUS		1,073.68	
010-645-545	INTEREST ON LEASES		7.43	
010-650-545	INTERST ON LEASES		1,329.67	
010-665-462	OFFICE EQUIPMENT RENTA		4.75	
010-665-545	INTEREST ON LEASES		1.73	
017-624-545	INTEREST ON LEASES		26.96	
495-501-545	INTEREST ON LEASES		171.24	
521-500-545	INTEREST ON LEASES		115.18	
521-500-546	PRINCIPAL LEASE PAYMENTS		28,684.82	
595-501-462	OFFICE EQUIPMENT RENTA		222.38	
595-501-545	INTEREST ON LEASES		11.49	
906-502-545	INTEREST ON LEASE		17.41	
906-502-546	PRINCIPAL LEASE PAYMENT		1,771.91	

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Account	Description	W/P Ref	Debit	Credit
010-201-000	ACCOUNTS PAYABLE			165.30
010-400-462	OFFICE EQUIPMENT RENTA			1,486.17
010-403-462	OFFICE EQUIPMENT RENTA			87.20
010-405-462	OFFICE EQUIPMENT RENTA			2.26
010-409-462	OFFICE EQUIPMENT RENTA			174.15
010-450-462	OFFICE EQUIPMENT RENTA			37.99
010-456-462	OFFICE EQUIPMENT RENTA			9.85
010-457-462	OFFICE EQUIPMENT RENTA			3.16
010-458-462	OFFICE EQUIPMENT RENTA			184.14
010-460-462	OFFICE EQUIPMENT RENTA			3.31
010-475-462	OFFICE EQUIPMENT RENTA			21.15
010-476-462	OFFICE EQUIPMENT RENTA			37.99
010-495-462	OFFICE EQUIPMENT RENTA			7.26
010-497-462	OFFICE EQUIPMENT RENTA			55.72
010-499-462	OFFICE EQUIPMENT RENTA			25.28
010-505-462	OFFICE EQUIPMENT RENTA			6,662.63
010-560-462	OFFICE EQUIPMENT RENTA			1,976.19
010-561-462	OFFICE EQUIPMENT RENTA			94.20
010-570-462	OFFICE EQUIPMENT RENTA			27.44
010-645-462	OFFICE EQUIPMENT RENTA			1,081.11
010-650-460	RENT			1,329.67
010-665-490	MISCELLANEOUS			6.48
017-624-462	OFFICE EQUIPMENT RENTA			26.96
495-501-462	OFFICE EQUIPMENT RENTA			171.24
521-502-460	RENT			7,200.00
521-503-460	RENT			4,800.00
521-504-460	RENT			16,800.00
595-501-490	MISCELLANEOUS			233.87
906-502-310	OFFICE SUPPLIES			1,789.32
Total			44,500.04	44,500.04

Adjusting Journal Entries JE # 11

To record new 2022 lease for GASB 87.

522-500-545	INTEREST ON LEASES		16.23	
522-500-546	PRINCIPAL LEASE PAYMENT		5,476.60	
522-500-570	CAPITAL OUTLAY		10,970.33	
595-500-546	PRINCIPAL LEASE PAYMENT		2,907.17	
595-501-570	CAPITAL OUTLAY		5,806.22	
522-300-700	LEASE PROCEEDS			10,970.33
522-500-460	RENT			5,492.83
595-300-700	LEASE PROCEEDS			5,806.22
595-501-460	RENT-CLINICS			2,907.17
Total			25,176.55	25,176.55

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Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 12				
To move principal payment to equipment notes.				
017-623-649	EQUIPMENT NOTES		50,000.00	
017-300-700	Capital lease proceeds			50,000.00
Total			50,000.00	50,000.00
Adjusting Journal Entries JE # 13				
To correct expenses posted to revenue line item.				
412-401-490	MISCELLANEOUS		13,172.49	
412-331-101	LOCAL MATCH-EMERGENCY			13,172.49
Total			13,172.49	13,172.49