

**RUTLEDGE CRAIN & COMPANY, PC**

CERTIFIED PUBLIC ACCOUNTANTS

3214 W Park Row, Suite E

Pantego, Texas 76013

September 20, 2022

To the Honorable County Judge and Commissioners Comprising the  
Commissioners' Court of Clay County, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clay County, Texas, as of and for the year ended September 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 17, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Clay County, Texas are described in Note I 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 Clay County, Texas 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.

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(s) affecting the County's financial statements was (were):

1. Management's estimate of the allowance for doubtful accounts for fines receivable is based on historic percentages developed upon the implementation of GASB 34. We evaluated the key factors and assumptions used to develop the estimates used in this calculation in determining that it is reasonable in relation to the financial statements taken as a whole.
2. Management's estimate of the allowance for doubtful accounts for accounts receivable is based on historic percentages developed by the County and have been consistently applied. We evaluated the key factors and assumptions used to develop the estimates used in this calculation in determining that it is reasonable in relation to the financial statements taken as a whole.
3. Managements estimate of depreciation expense is based on standards developed by the State of Texas for each asset class to be implemented in conjunction with the implementation of GASB 34.

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 retirement benefits in Note IV. C. to the financial statements. The effect of the pension liability under GASB 68 is both material and difficult to implement, although the actuarial reports are provided by the Texas County and District Retirement System through their contracted actuary.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *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. There were no material misstatements detected as a result of audit procedures.

### *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 auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 20, 2022.

### *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 Clay County, Texas' financial statements or a determination of the type of auditor's 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.

### *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 Clay County, Texas' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to the management's discussion and analysis and required supplementary information on pages 5–12 and 46–53 of the financial statements, which are required supplementary information (RSI) that 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 the combining statements, individual fund statements and schedules, which accompany the financial statements but are 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.

The County Auditor identified certain noncompliance in the timeliness of cash deposits in the Tax Assessor Collector's office and informed the State Comptroller's Office. The State Comptroller's Office then performed an extensive review of the Tax Assessor Collector's office and determined a recurring pattern of noncompliance which may result in an undetermined loss to the County. The effect of this uncertainty is a qualified audit opinion.

Restriction on Use

This information is intended solely for the information and use of Clay County, Texas and management of Clay County, Texas and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Rutledge Crain & Company, PC*

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CERTIFIED PUBLIC ACCOUNTANTS

3214 W Park Row, Suite E

Pantego, Texas 76013

To the Honorable County Judge and Commissioner's Comprising the  
Commissioners' Court of Clay County  
Henrietta, Texas

We have audited the accompanying financial statements of the governmental activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of Clay County, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In planning and performing our audit of the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Clay County, Texas as of and for the year ended September 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered Clay County, Texas' internal control over financial reporting (internal control) as a basis for designing 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 Clay County, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of Clay County, Texas' 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 significant deficiencies.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in internal control to be significant deficiencies:

Section 115.002 (b) of the Texas Local Government Code states the following:

"At least once each quarter, the county auditor shall check the books and shall examine in detail the reports of the county tax assessor-collector, the county treasurer, and all other officers. The auditor shall verify the footings and the correctness of those books and reports. The auditor shall either stamp the books and reports approved or shall note any differences, errors, or discrepancies."

The County Auditor identified certain noncompliance in the timeliness of cash deposits in the Tax Assessor Collector's office, and informed the State Comptroller's Office. The State Comptroller's Office then performed an extensive review of the Tax Assessor Collector's office and determined a recurring pattern of noncompliance.

We recommend that the County Auditor place more emphasis on the duty to audit all officer's accounts and report the results of such audits to the Commissioner's Court.

This communication is intended solely for the information and use of The Commissioner's Court, and others within Clay County, Texas, and is not intended to be and should not be used by anyone other than these specified parties.

*Rutledge Crain & Company, PC*

September 20, 2022