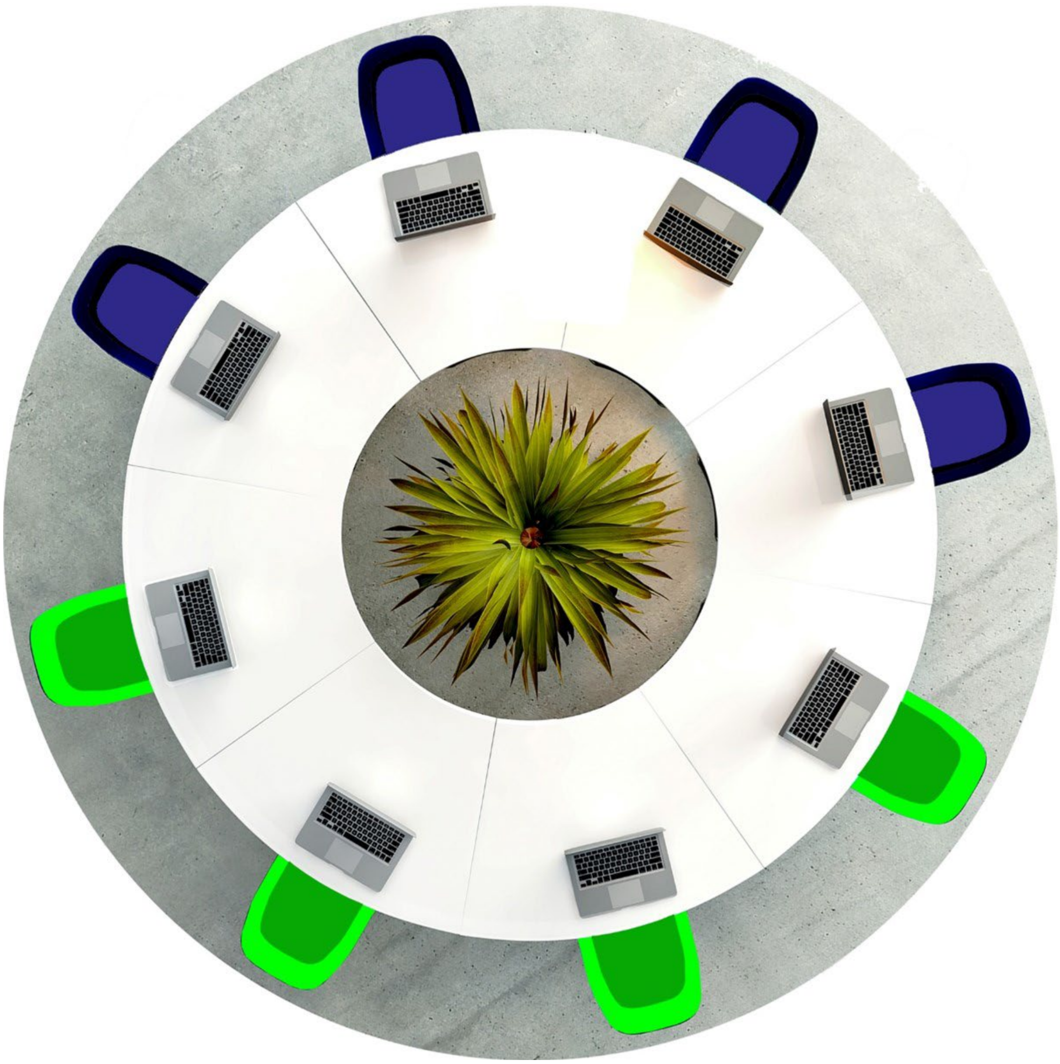

Tarrant County

Results of the Audit Including Control-Related Matters for Fiscal Year Ended September 30, 2023

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April 23, 2024

The Honorable County Judge and Commissioners Court
Tarrant County, Texas
100 East Weatherford
Fort Worth, Texas 76169

Dear Judge O'Hare and County Commissioners:

We have performed an audit of the financial statements of Tarrant County, Texas (the "County") as of and for the year ended September 30, 2023 (the "financial statements"), in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*) and have issued our report thereon dated April 23, 2024.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the County is responsible.

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

Yours truly,

Deloitte & Touche LLP

cc: The Management of Tarrant County

Our Responsibility under Generally Accepted Auditing Standards and *Government Auditing Standards*

Our responsibility under generally accepted auditing standards and *Government Auditing Standards* has been described in our engagement letter dated July 20, 2023. As described in that letter, our responsibilities under generally accepted auditing standards and *Government Auditing Standards* include forming and expressing opinions about whether the financial statements that have been prepared by management with the oversight of the Members of Commissioners Court are prepared, in all material respects, in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"). The audit of the financial statements does not relieve management or the Members of Commissioners Court of their responsibilities. We considered internal control relevant to the County's preparation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control.

Significant Accounting Policies

The County's significant accounting policies are set forth in Note 1 to the County's 2023 financial statements. In 2023, the County adopted Governmental Accounting Standards Board ("GASB") Statement No. 96, *Subscription Based IT Arrangements.*

The provisions of GASB Statement No. 96 are effective for fiscal years ending after June 15, 2022, with retrospective application required. The County applied the guidance in GASB Statement No. 96 in the County's 2023 financial statements as of October 1, 2022, resulting in the addition of $.5 million of subscription liabilities (and related IT Subscription assets) as of October 1, 2022.

We have evaluated the significant qualitative aspects of the County's accounting practices, including accounting policies, accounting estimates and financial statement disclosures and concluded that the policies are appropriate, adequately disclosed, and consistently applied by management except as discussed in the Immaterial Correction to Prior Year Financial Statements section below.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Our assessment of the significant qualitative aspects of the County's particularly sensitive accounting estimates has been attached to this report as Appendix A.

Uncorrected Misstatement

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. We have attached to this letter, as Appendix B (as part of the management representation letter) the uncorrected misstatement that we presented to management during the current audit engagement that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Uncorrected misstatements or matters underlying these uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if we have concluded that the uncorrected misstatements are immaterial to the financial statements for the year ended September 30, 2023.

Immaterial Correction to Prior Year Financial Statements

As the result of our audit work of the total other postemployment benefits ("OPEB") liability and related deferred outflows of resources, deferred inflows of resources, and OPEB expense for the year ended September 30, 2023, we identified matters that resulted in an audit adjustment. We identified the following errors in the actuarial valuation: incorrect post-65 per capita claims costs and retiree premiums used in the calculations, misapplication of a plan election assumption for pre-65 retirees, errors in modeling cumulative salary scale, and an error in calculating the average expected remaining service lives of plan participants. These errors resulted in a net understatement of $21.0 million, and $2.6 million in the Total OPEB Liability and deferred OPEB inflows of resources, respectively, and a net overstatement of $4.4 million in deferred OPEB outflows of resources, as of September 30, 2022. The County corrected this through adjusting beginning net position (a total decrease of $28.0 million of which $27.9 million relates to Governmental Activities and $0.1 million relates to Business-Type Activities and the Enterprise Fund) and related disclosures for the year ended September 30, 2023.

Required Supplementary Information, Supplementary Information, and Other Information in the Annual Comprehensive Financial Report

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedules—General Fund and Road and Bridge Fund, the Schedule of County Pension Contributions, the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Changes in OPEB Liability and Related Ratios, the Schedule of Pension Contributions—TCHD, and the Schedule of Changes in Net Pension Liability and Related Ratios—TCHD be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining fund financial statements and budgetary compliance schedules are presented for purposes of additional analysis and are 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 basic 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 GAAS. In our opinion, the combining fund financial statements and budgetary compliance schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

When audited financial statements are included in documents containing other information such as the County's Annual Report, we read such other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. We have read the other information in the County's Annual Report and have compared selected amounts or other items in the other information with such amounts or other items in the financial statements. While reading the other information, we remained alert for indications that (1) a material inconsistency exists between the other information and our knowledge obtained in the audit and (2) a material misstatement of fact exists or the other information is otherwise misleading. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to communicate the matter to you, request that the correction be made, and, if not corrected, describe it in our report. We did not note any uncorrected material misstatements of the other information.

Disagreements with Management

We have not had any disagreements with management related to matters that are material to the County's 2023 financial statements.

Our Views about Significant Matters That Were the Subject of Consultation with Other Accountants

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2023.

Significant Findings or Issues Arising from the Audit Discussed, or Subject of Correspondence, with Management

Throughout the year, routine discussions were held, or were the subject of correspondence, with management. In our judgment, such discussions or correspondence did not involve significant findings or issues requiring communication to Members of Commissioners Court.

Significant Difficulties Encountered in Performing the Audit

In our judgment, we received the full cooperation of the County's management and staff and had unrestricted access to the County's senior management in the performance of our audit.

Management's Representations

We have made specific inquiries of the County's management about the representations embodied in the financial statements. In addition, we requested that management provide to us the written representations the County is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Appendix B, a copy of the representation letter we obtained from management.

Control-Related Matters

We have identified, and included in Appendix C, certain matters involving the County's internal control over financial reporting that we consider to be a material weakness under generally accepted auditing standards.

The definitions of a deficiency and a material weakness are also set forth in Appendix C.

Although we have included management's written response to our comments in Appendix C, such responses have not been subjected to the auditing procedures applied in our audit of the financial statements and, accordingly, we do not express an opinion or provide any form of assurance on the appropriateness of the response or the effectiveness of any corrective actions described therein.

* * * * * *

Appendix A: Accounting Estimates
Appendix B: Representations from Management
Appendix C: Matters Related to Internal Control over Financial Reporting

ACCOUNTING ESTIMATES

Overview	Qualitative Assessment
Accounting Estimate—Net Pension Liability	
The measurement of the County's net pension liability and related costs is subject to numerous actuarial assumptions including, but not limited to, the discount rate, expected return on plan assets, and mortality tables. As it relates to the liability, the Texas County and District Retirement System engages a third-party actuarial firm to assist in measuring the costs and obligations and performs procedures to evaluate the results. The County reviews the reasonableness of the assumptions used and records the appropriate adjustment to the liability based on these actuarial results. The County's net pension liability as of September 30, 2023 was approximately \$276.1 million, an increase of approximately \$247.6 million from prior year. The increase in the net pension liability is primarily due to the decrease in net investment income.	We involved Deloitte actuarial specialists to assess the reasonableness of the methodologies used and the selected assumptions. Further, we performed detailed procedures to test the completeness and accuracy of the demographic data provided to the third-party actuarial firm. Based on the procedures performed, the methodology and underlying assumptions of the net pension liability appear reasonable.

Overview	Qualitative Assessment
Accounting Estimate—Total Other Postemployment Benefits (OPEB) Liability	
The measurement of the County's total OPEB liability for employees is subject to numerous actuarial assumptions including, but not limited to, the discount rate, healthcare cost trend rates, and mortality tables. Biennially, Tarrant County engages a third-party actuarial firm to assist in measuring the OPEB obligation and the County performs procedures to evaluate the results. The County records the appropriate adjustment to the liability based on these actuarial results. The County's total OPEB liability as of September 30, 2023 was approximately \$189.3 million, a decrease of \$\$54.4 million from the prior year corrected OPEB liability of \$243.7 million. The decrease in the total OPEB liability is primarily due to the increase in the discount rate from 2.26% to 4.02% and actual experience that was better than expected.	We involved Deloitte actuarial specialists to assess the reasonableness of the methodologies used and selected assumptions. Errors were identified during these procedures in the current year and were corrected by management. With the assistance of Deloitte actuarial specialist, we evaluated these corrections. Further, we performed detailed procedures to test the completeness and accuracy of the demographic data provided to the third-party actuarial firm biennially. Evaluated disclosures and required supplementary information in the Annual Comprehensive Financial Report to determine compliance with generally accepted accounting principles. Based on the procedures performed, the methodology and underlying assumptions of the total OPEB liability appear reasonable in the context of the financial statements as a whole.

Kimberly M. Buchanan, CPA
Tarrant County Auditor

Linda R. Castillo
First Assistant County Auditor

Office of the Tarrant County Auditor
100 E. Weatherford, Room 506
Fort Worth, Texas 76196-0103

Phone (817) 884-1205
Fax (817) 884-1104

April 23, 2024

Deloitte & Touche LLP
2200 Ross Avenue
Suite 1600
Dallas, TX 75201-6778

We are providing this letter in connection with your audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Tarrant County, Texas (the "County"), as of and for the year ended September 30, 2023, which collectively comprise the County's basic financial statements for the purpose of expressing opinions as to whether the basic financial statements present fairly, in all material respects, the financial position, results of operations or changes in fund balances, and cash flows, as applicable, of the County in accordance with accounting principles generally accepted in the United States of America (GAAP).

We confirm that we are responsible for the following:

a. The preparation and fair presentation in the basic financial statements of financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, in accordance with GAAP.

b. The design, implementation, and maintenance of internal control:

- Relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- To prevent and detect fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

1. The basic financial statements referred to above are fairly presented in accordance with GAAP. In addition:

   a. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

   b. The financial statements include all fiduciary activities as required by GASB Codification Section 1300.111-.116, *Fiduciary Funds*.

   c. Majority equity interests in legally separate organizations are properly accounted for in accordance with GASB Codification Section 2600.116, *Equity Interests in Component Units*.

   d. Net position components (net investment in capital assets, restricted, and unrestricted) are properly classified and, if applicable, approved.

e. Deposits and investment securities are properly classified in the category of custodial credit risk.

f. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated. Related costs have been recognized as an expense in the period in which the costs are incurred, in accordance with GASB Codification Section 1400.120-.121, *Interest Cost Incurred before the End of a Construction Period.*

g. Required supplementary information is measured and presented within prescribed guidelines.

h. Applicable laws and regulations are followed in adopting, approving, and amending budgets.

i. The County's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available is appropriately disclosed and the related net position is properly recognized under the policy.

j. The financial statements properly classify all funds and activities, including special and extraordinary items.

k. All funds that meet the quantitative criteria in the GASB Codification Section 2200.159 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

l. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

m. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

n. The County has followed its established accounting policy regarding which resources (restricted, committed, assigned, or unassigned) are considered to be spent for expenditures to determine the fund balance classifications for financial reporting purposes.

o. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

p. Fund balance restrictions, commitments, and assignments are properly classified and, if applicable, approved.

2. The County has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.

3. The County has made available to you:

a. All minutes of the meetings of the Commissioners Court or summaries of actions of recent meetings for which minutes have not yet been prepared.

b. All financial records and related data for all financial transactions of the County and for all funds administered by the County. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by the County and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.

c. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.

4. There has been no:

   - Action taken by County management that contravenes the provisions of federal laws and state of Texas laws and regulations, or of contracts and grants applicable to the County.

   - Communications with other regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.

5. The County has restated Net Position and certain disclosures as of October 1, 2022 as discussed in Note 1. We evaluated the materiality of this error from quantitative and qualitative perspectives and concluded the error was not material to the prior period financial statements.

6. The County has disclosed to you the results of management's risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud.

7. We have no knowledge of any fraud or suspected fraud affecting the County involving:

   a. Management.

   b. Employees who have significant roles in the County's internal control.

   c. Others, where the fraud could have a material effect on the financial statements.

8. We have no knowledge of any allegations of fraud or suspected fraud affecting the County's financial statements communicated by employees, former employees, analysts, regulators, or others, except for bailiff compensation matters discussed with you.

9. There are no unasserted claims or assessments that we are aware of or that legal counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Codification Section C50, *Claims and Judgments,* except as disclosed in Note 14.

10. The methods, significant assumptions, and the data used by us in making the accounting estimates and the related disclosures are appropriate to achieve recognition, measurement, or disclosure that is in accordance with GAAP.

11. We are responsible for the preparation of the Schedule of Expenditures of Federal Awards ("SEFA") and Schedule of Expenditures of State Awards ("SESA") in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("OMB Uniform Guidance") and the *Texas Grant Management Standards* ("TxGMS"), respectively. We have identified and disclosed all of the County's government programs and related activities subject to the OMB Uniform Guidance compliance and TxGMS compliance audit. The SEFA and SESA is a complete list of all federal awards and state awards required to be presented for the year ended September 30, 2023. In addition, we will accurately complete the appropriate sections of the data collection form.

12. We are responsible for compliance with local, state, and federal laws, rules, and regulations, including compliance with the requirements of the OMB Uniform Guidance, TxGMS, and the provisions of grants and contracts relating to the County's operations. We are responsible for understanding and complying with the requirements of the federal and state statutes, regulations, and the terms and conditions of federal and state awards related to each of the County's federal and state programs. We are responsible for establishing and maintaining the components of internal control relating to our activities in order to achieve the objectives of providing reliable financial reports, effective and efficient operations, and compliance with laws and

regulations. We are responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.

13. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.

14. We have informed you of all investigations or legal proceedings that have been initiated during the year ended September 30, 2023 or are in process as of September 30, 2023.

15. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal and state programs that provides reasonable assurance that we are managing federal and state awards in compliance with federal and state statutes, regulations, and the terms and conditions of the federal and state awards that could have a material effect on its federal and state programs.

16. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that are significant deficiencies or material weaknesses in internal control over financial reporting.

17. No events have occurred subsequent to September 30, 2023, that require consideration as adjustments to or disclosures in the schedule of federal or state awards and related notes or that existed at the end of the reporting period that affect noncompliance during the reporting period.

18. We have disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to September 30, 2023.

19. No changes in internal control over compliance or other factors that might significantly affect internal control over financial reporting, including any corrective actions taken by the County with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to September 30, 2023.

20. Federal awards expenditures have been charged in accordance with applicable cost principles, as applicable.

21. The Reporting Package that will be submitted to the Federal Audit Clearinghouse (FAC) as defined by the OMB Uniform Guidance section 2CFR200.512(3)(c) will not contain protected personally identifiable information.

22. We have disclosed all contracts or other agreements with service organizations.

23. We have disclosed to you all communications from service organizations relating to noncompliance with the requirements of federal statutes, regulations, and terms and conditions of federal and state awards at those organizations.

24. We have:

    a. Identified previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit and the corrective actions taken to address significant findings and recommendations. We have also provided the status of the follow-up on prior audit findings (and information about all management decisions) by federal and state awarding agencies and pass-through entities.

b. Provided to you our views on the reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for your report.

c. Identified and disclosed to you the requirements of federal and state statutes, regulations, and the terms and conditions of federal and state awards that are considered to have a direct and material effect on each major program under audit.

d. Complied, in all material respects, with the direct and material compliance requirements identified above in connection with federal and state awards, except as disclosed in the Schedule of Findings and Questioned Costs.

e. Identified and disclosed interpretations of any compliance requirements that have varying interpretations.

f. Made available all federal and state awards (including amendments, if any) and any other correspondence relevant to federal and state programs and related activities that have taken place with federal and state agencies or pass-through entities. Management has made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal and state program financial reports and claims for advances and reimbursements. Federal and state financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared and are prepared on a basis consistent with that presented in SEFA and SESA. The copies of federal and state program financial reports provided are true copies of the reports submitted, or electronically transmitted, to the federal and state agency or pass-through entity, as applicable.

g. Identified and disclosed all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal and state awards, including the results of other audits, program reviews, or any communications from federal and state awarding agencies and pass-through entities concerning possible noncompliance related to the objectives of the audit.

h. Monitored subrecipients to determine that they have expended subawards in compliance with federal and state statutes, regulations, and terms and conditions of the subaward and have met the other pass-through entity requirements of OMB Uniform Guidance and TxGMS.

i. Issued management decisions for audit findings that relate to federal and state awards made to subrecipients. Such management decisions were issued within six months of acceptance of the audit report by the FAC. In addition, we have followed up to determine whether the subrecipient has taken timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal and state award provided to the subrecipient from the County.

j. Considered the results of the subrecipient's audits and made any necessary adjustments to the County's own books and records.

25. We are responsible for taking corrective action on audit findings and will develop a corrective action plan that meets the requirements of OMB Uniform Guidance and TxGMS. We will include in the corrective action plan for current-year findings the name of the person in our organization responsible for implementation of the actions, the best actions to be taken, and the estimate of a completion date. We have taken timely and appropriate steps to respond to identified or suspected fraud, noncompliance with the provisions of laws, regulations, contracts, and grant agreements that you report.

26. We are responsible for reporting identified or suspected noncompliance with provisions of laws, regulations, contracts, and grant agreements, including noncompliance with federal and state awards to the County's Commissioners Court and to the funding agencies.

27. We believe that we have properly identified, reported, and classified each component unit of the County and each activity that meets the criteria established in GASB Codification Section 2100, *Defining the Financial Reporting Entity*.

28. The County has informed you that the annual report comprises: the Annual Comprehensive Financial Report (the "annual report"). The County's final version of the annual report has been provided to you and is consistent with the financial statements and does not contain any material misstatements. The County expects to issue the annual report and make it available to users electronically on or about April 23, 2024.

29. The County has appropriately identified and recorded all intangible assets under GASB Codification Section 1400.138 – 1400.153, *Intangible Assets.*

30. The County has evaluated the effects of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (the "Act") and determined that:

- The prescription drug benefits available under the County's defined benefit postemployment plan to some or all participants for some or all future years are "actuarially equivalent" to Medicare Part D and thus do qualify for the subsidy under the Act.

- The expected subsidy will not offset or reduce the County's share of the cost of the underlying postemployment prescription drug coverage on which the subsidy is based.

31. The County has appropriately followed the accounting provisions of GASB Codification Section P50.602, *Accounting and Financial Reporting by Employers for Payments from the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D,* and provided the disclosures as required as of September 30, 2023.

32. We believe the effects of the uncorrected financial statement misstatement detected in the current year that relate to the prior year presented, when combined with those misstatements aggregated by you during the prior year audit engagement and pertaining to the prior year presented, are immaterial, both individually and in the aggregate, to the financial statements for the year ended September 30, 2022, taken as a whole. A summary of this uncorrected misstatement is as follows:

    - As a result of a Delivery System Reform Incentive Payment (DSRIP) reporting discrepancy, in FY23, the beginning fund balance of the Other Governmental Funds was overstated by $376,156 and the current year revenue was understated by the same dollar value.

33. The County has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No 62;* GASB Statement No. 101, *Compensated Absences; and GASB Statement No.102, Certain Risk Disclosures* that are not yet effective. The County is therefore unable to disclose the impact that adopting these provisions of GASB Statements No. 100, 101 and 102 will have on its financial position, results of operations, and cash flows when such statement is adopted.

34. The County has recorded certain investment pools measured at amortized costs as of September 30, 2023. We have evaluated the criteria in paragraph 4 of GASB Statement No. 79, *Certain External Investment Pools*

and Pool Participants, and have determined that the pools measured at amortized cost meet the criteria for amortized cost reporting.

35. Tax-exempt bonds issued have retained their tax-exempt status.

36. We have complied with all applicable provisions of the Foreign Corrupt Practices Act.

37. We have disclosed to you all significant cyber security incidents and/or breaches in which an actual or potentially adverse effect on an information system, network, or the information residing therein occurred or there was a loss of assets. We considered the cyber incident or breach to be significant if such incident or breach merited the attention of the Commissioners Court.

38. The County has provided to you:

    - A corporate entity tree that identifies the legal names of the County's affiliates, including affiliates as defined in AICPA Interpretation 1.224.020, *State and Local Government Client Affiliates,* together with the ownership relationship among such entities

    - Any equity or debt securities of the County and its affiliates (including, without limitation, tax-advantaged debt of such entities that is issued through governmental authorities) that are registered, issued, listed, or traded outside of the United States (whether through stock, bond, commodity, futures, or similar markets or equity, debt, or any other securities offerings), together with related securities identification information (e.g., ticker symbols or CUSIP®, ISIN®, or Sedol® numbers).

Except where otherwise stated below, immaterial matters less than $320,000 collectively for governmental activities and less than $65,000 collectively for business-type activities are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the basic financial statements.

39. There are no transactions that have not been properly recorded and reflected in the financial statements

40. The County has no plans or intentions that may affect the carrying value or classification of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

41. Regarding related parties:

    a. We have disclosed to you the identity of the County's related parties and all the related-party relationships and transactions of which we are aware.

    b. To the extent applicable, related parties and all the related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral) have been appropriately identified, properly accounted for, and disclosed in the financial statements.

42. In preparing the financial statements in accordance with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:

    a. It is reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.

    b. The effect of the change would be material to the financial statements.

43. There are no:

    a. Instances of identified or suspected noncompliance with laws, regulations, or provisions of contracts or grant agreements whose effects should be considered when preparing the financial statements, or other instances that warrant the attention of those charged with governance.

    b. Known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and that have not been disclosed to you and accounted for and disclosed in accordance with GAAP.

    c. Known actual or likely instances of abuse that have occurred that could be quantitatively or qualitatively material to the financial statements.

    d. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Codification Section C50, *Claims and Judgments,* except as disclosed in Note 13.

44. The County has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.

45. The County has complied with all aspects of contractual agreements that may affect the financial statements.

46. No department or agency of the County has reported a material instance of noncompliance to us.

47. No events have occurred after September 30, 2023, but before April 23, 2024, the date the financial statements were issued, that require consideration as adjustments to, or disclosures in, the financial statements.

48. Regarding required supplementary information:

    a. We confirm that we are responsible for the required supplementary information.

    b. The required supplementary information is measured and presented in accordance with GAAP.

    c. The methods of measurement and presentation of the required supplementary information have not changed from those used in the prior period except as discussed in Note 1 to the financial statements.

    d. The significant assumptions underlying the measurement of the required supplementary information are the methods and assumptions used to determine contribution rates.

49. Regarding supplementary information:

    a. We are responsible for the preparation and fair presentation of the supplementary information in accordance with GAAP.

    b. We believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP.

    c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period except as discussed in Note 1 to the financial statements.

50. Information and amounts presented in the County's Annual Comprehensive Financial Report relative to OPEB expenses, deferred outflows of resources, deferred inflows of resources, liabilities, note disclosures, and

required supplementary information does not constitute or imply that the County has made a commitment or is legally obligated to provide OPEB benefits.

51. Financial instruments with significant individual or group concentration of credit risk have been appropriately identified, properly recorded, and disclosed in the financial statements.

52. With regard to the fair value measurements and disclosures of certain assets, liabilities, and specific components of equity, such as investments:

    a. The completeness and adequacy of the disclosures related to fair values are in accordance with GAAP.

    b. No events have occurred after September 30, 2023, but before April 23, 2024, the date the financial statements were issued that require adjustment to the fair value measurements and disclosures included in the financial statements.

53. The County has determined whether a capital asset has been impaired in accordance with GASB Codification Section 1400.181 – 1400.201, *Impairment of Capital Assets.* In making this determination, the County considered the following factors:

    a. The magnitude of the decline in service utility is significant.

    b. The decline in service utility is unexpected.

54. The County has properly identified and accounted for all pollution remediation activities in accordance with GASB Codification Section P40, *Pollution Remediation Obligations.* In performing this assessment, we considered whether one of the five obligating events had occurred and whether a recognition benchmark had been met. There are currently no other activities that meet the criteria in the standard for recognition of an expenditure.

55. We agree with the findings of management's expert in evaluating the workers compensation, general self-insurance liability, pension and other postemployment benefit liabilities and have adequately considered the qualifications of management's expert in determining amounts and disclosures used in the financial statements and underlying accounting records. We did not give any instructions, nor cause any instructions to be given, to management's expert with respect to values or amounts derived in an attempt to bias his or her work, and we are not aware of any matters that have affected the independence or objectivity of management's expert.

56. We have appropriately identified and properly recorded and disclosed in the financial statements all interfund transactions, including repayment terms. Further, all interfund loans include only amounts that are expected to be repaid within a reasonable period of time and the borrowing funds have the ability and intent to repay the loans.

57. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed in the financial statements.

58. Provisions for uncollectible receivables have been properly identified and recorded.

59. The County has evaluated its leases and has properly classified, recognized, and reported all leases in accordance with the recognition, measurement, financial reporting, and disclosure requirements set forth in GASB Codification Section L20, *Leases.*

60. We have properly recorded and disclosed subscription-based information technology arrangements, including the related right to use assets, subscription liabilities, and other related amounts, in accordance with GASB Codification Section S80, *Subscription-Based Information Technology Arrangements*.

61. We have separately disclosed direct borrowings and direct placements of debt from other debt and disclosed any unused lines of credit, collateral pledged to secure debt, terms in debt agreements related to significant default or termination events with finance-related consequences, and significant subjective acceleration clauses.

62. We have disclosed conduit debt obligations in the financial statements in accordance with the requirements of GASB Codification Section C65, *Conduit Debt Obligations*, and have reported as liabilities only those conduit debt obligations that meet the criteria for recognition.

63. We have disclosed to you all new or changes to the existing pension and other postemployment benefit plans.

64. We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances. These amounts have been appropriately recognized and displayed as assets, liabilities, and, where applicable, deferred inflows, deferred outflows, net position and changes in net position in the financial statements in accordance with GASB Codification Section P20, *Pension Activities - Reporting for Benefits Provided through Trusts That Meet Specified Criteria - Defined Benefit.*

65. We believe that the actuarial assumptions and methods used to measure postretirement liabilities and costs for financial accounting purposes are appropriate in the circumstances. These amounts have been appropriately recognized and displayed as assets, liabilities, and, where applicable, net position and changes in net position in the financial statements in accordance with GASB Codification Section P52, *Postemployment Benefits Other than Pensions - Reporting for Benefits Not Provided through Trusts That Meet Specified Criteria - Defined Benefit.*

66. We do not plan to make frequent amendments to our pension or other postemployment benefit plans.

67. We have no intention of terminating any of our pension or our other postemployment benefit plan or withdrawing from any multiemployer plans or taking any other action that could result in an effective termination or reportable event for any of the plans. We are not aware of any occurrences that could result in the termination of any of our pension or our other post-employment benefit plan or multiemployer plans to which we contribute.

68. We have properly recorded and disclosed public-private and public-public partnerships and availability payment arrangements in accordance with GASB Codification Section P90, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*.

69. Regarding tax abatement agreements, in accordance with GASB Codification Section 2300.107, *Notes to the Financial Statements,* we have disclosed:

    a. Agreements that are entered into by the County, names of the entities that are parties to the agreements, specific taxes and total gross taxes abated, and whether any commitments other than to reduce taxes were made as part of any tax abatement agreement; and

    b. Agreements that are entered into by other governments that affect the County's tax revenues, names of the other governments that are parties to the agreements, and specified taxes and total gross taxes abated.

70. The County has evaluated the effects of the COVID-19 Preparedness and Response Appropriations Act; Families First Coronavirus Response Act; Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"); Coronavirus Response and Relief Supplemental Appropriations Act; and the American Rescue Plan Act (collectively, the "COVID-19 Acts") and determined that the related financial reporting considerations are accounted for and reported appropriately under the applicable financial accounting reporting framework.

[redacted]

Chandler Merritt, County Administrator

[redacted]

Kimberly M. Buchanan, CPA, County Auditor

APPENDIX C

MATTERS RELATED TO INTERNAL CONTROL OVER FINANCIAL REPORTING

Section I—Material Weaknesses

We consider the following deficiency in the County's internal control over financial reporting to be a material weakness as of September 30, 2023:

Criteria—In accordance with GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the total OPEB liability should be measured as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service and should be based on assumptions made in conformity with Actuarial Standards of Practice.

Perspective—The County offers one OPEB plan. Actuarial valuations to estimate the total OPEB liability are performed biennially and rolled forward in the interim years. A new actuarial valuation was performed for the 2023 fiscal year as of September 30, 2022.

Condition and Cause—Unexpected changes in the total OPEB liability, specifically in the effect of differences between expected and actual experience, were noted in the original actuarial valuation for the 2023 fiscal year. Further questions revealed that actuarial valuations performed for fiscal years 2019 through 2022 contained errors. Specifically, incorrect post-65 per capital claims costs and retiree premiums, misapplication of a plan election assumption, errors in modeling cumulative salary scale, and an error in calculating the average expected remaining service lives of plan participants resulted in misstatements of the total OPEB liability in previous years and in the current year. The County performs detailed reviews of the annual actuarial valuations reports; however, the reviews were not precise enough to detect these errors. The County relied on the actuary to perform the calculations in accordance with Actuarial Standards of Practice and to provide a report that accurately described the assumptions and methods used.

Effect—The County's actuary revised prior actuarial valuations and the County adjusted fiscal year 2023 by reducing beginning net position as of October 1, 2022 by $28 million, a decrease of approximately 7% from what was reported in fiscal year 2022.

Recommendation—Periodically, management should engage a separate actuarial specialist to perform an actuarial audit of the actuarial valuation.

View of Responsible Officials— Tarrant County Auditor's Office made an immaterial correction and restated the FY2022 beginning net position for errors that have existed since FY2019 but were not identified until FY2023. The actuary used to perform the actuarial estimate for the County's OPEB liability was hired by the Public Employee Benefits Cooperative (PEBC) for all participating entities. The contract for actuarial services has expired and PEBC initiated the Request for Proposal (RFP) process with the North Central Council of Governments.

Tarrant County Auditor's Office agrees with Deloitte's recommendation. At a minimum of every five years, the County will ensure that either through PEBC or Commissioners Court an independent audit of the actuary's system and organization controls is performed to ensure system security, processing integrity, and compliance with Actuarial Standards of Practice. The Auditor's Office will continue to validate all inputs provided by the County or the PEBC for the actuary's calculation.

Section II—Definitions
The definitions of a deficiency and a material weakness are as follows:

A *deficiency* in internal control over financial reporting 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 deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control over financial reporting, 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.

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