



MARTINEZ, ROSARIO & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

# **MAVERICK COUNTY, TEXAS**

**COMMUNICATION WITH THOSE CHARGED  
WITH GOVERNANCE**

**September 30, 2011**



May 23, 2013

Honorable County Judge and  
Members of Commissioners Court  
Maverick County, Texas

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Maverick County, Texas (the "County") as of and for the year ended September 30, 2011, which collectively comprise the County's basic financial statements and have issued our reports thereon dated May 23, 2013. The report on the Maverick County Solid Waste Authority, a blended component unit and a major enterprise fund was qualified because of a scope limitation due to inadequate accounting records related to expenses and certain contingencies.

We did not express any opinions on the financial statement of the governmental activities, the business-type activities, each major governmental fund, the aggregate remaining governmental funds information, the major proprietary fund for the Water Utility Operations, aggregate remaining proprietary funds information and the Agency funds, because the scope of our work was not sufficient to enable us to express opinions on these financial statements since the County's accounting records were inadequate, and we were not able to apply other auditing procedures to satisfy ourselves as to its capital assets, all of its internal due to/due from amounts, its accounts payable, revenues, expenses, expenditures, certain related party contingencies, and other matters. Also, our report noted a departure from accounting principles generally accepted in the United States of America in regards to the reporting and disclosure of sufficient information for the County's capital assets and related depreciation expense. In addition, our report contained explanatory paragraphs referring to certain related party contingencies, other matters and prior period restatements. Except as discussed above, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States.

Professional standards require that we provide you with the following information related to our audit.

***Our Responsibility under U.S. Generally Accepted Auditing Standards, OMB A-133 and the State of Texas Single Audit Circular***

As stated in our engagement letter dated September 7, 2012, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your 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 you or management of your responsibilities.

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with OMB Circular A-133, and the *State of Texas Single Audit Circular*.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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. Also in accordance with OMB Circular A-133 and the *State of Texas Single Audit Circular*, we examined, on a test basis, evidence about the County's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement," the *State of Texas Single Audit Circular* and other grant regulations applicable to each of its major federal or state programs for the purpose of expressing an opinion on the County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County's compliance with those requirements.

### ***Planned Scope and Timing of the Audit***

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We began our audit on approximately November 26, 2012 and our reports are dated May 23, 2013.

## ***Significant Audit Findings***

### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 1 to the financial statements. The County adopted GASB Statement No. 54, “Fund Balance Reporting & Governmental Fund Type Definitions” effective during the fiscal year. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred. The County is not reporting and disclosing sufficient financial information in regards to its capital assets and depreciation expenses.

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 County’s financial statements are the following:

- Allowance for the uncollectible accounts are based on historical collections rates and an analysis of the collectability of individual’s accounts;
- Depreciation is based on estimated useful lives of capital assets in use;
- Estimates are made by management in recording post-closure liability for the landfill; and
- Estimates are made by management in recording incurred but not reported self-insurance liabilities.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are Note 8 Contingencies and Note 15 Prior Period Restatements.

### **Difficulties Encountered in Performing the Audit**

We encountered significant difficulties in performing and completing our audit. See Schedule of Findings and Questioned Costs for significant matters noted and difficulties encountered.

### **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.

## **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as 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 May 23, 2013.

## **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 auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to communicate 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**

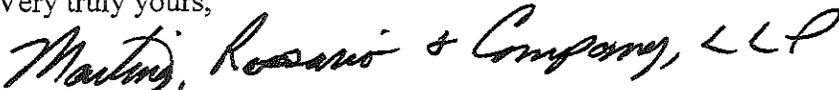
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## **Other Matters**

With respect to the supplementary information accompanying the financial statements, we disclaimed an opinion on this information because of the matters discussed in the first two paragraphs of this letter on page 1.

This report is intended solely for the information and use of Commissioners Court, management, federal and state awarding agencies, and pass-through entities; and is not intended to be, and should not be used by anyone other than these specified parties.

Very truly yours,



Martinez, Rosario & Company, LLP

Certified Public Accountants

San Antonio, Texas