

MARTINEZ, ROSARIO & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

# **MAVERICK COUNTY, TEXAS**

## **COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

**September 30, 2012**



March 17, 2014

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

We were engaged to audit the financial statements 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 of the Maverick County, Texas (the "County") as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements and have issued our reports thereon dated March 17, 2014. The financial statements of the Maverick County Solid Waste Authority (MCSWA), a component unit of the County, have not been audited, and we were not engaged to audit the MCSWA financial statements as part of our audit of the County's basic financial statements. MCSWA's financial activities are not included in the County's basic financial statements as a blended component unit in the business-type activities and as a major fund in the proprietary funds. In our opinion, the reporting and disclosure of that information is required to conform with accounting principles generally accepted in the United States of America.

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. We were not able to apply other auditing procedures to satisfy ourselves as to all internal due to/due from amounts as of September 30, 2011 and 2012, the County's debt transactions, self-insurance liabilities and estimated liability costs of closure and post closure for the Landfill operations as of September 30, 2012, and expenses and expenditures for the year ended September 30, 2012.

In addition, we were unable to perform certain audit procedures necessary for 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, related depreciation expense, its debt transactions, self-insurance liabilities and estimated costs of closure and post closure for the Landfill operations and related expenses and expenditures. 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 and OMB Circular A-133***

As stated in our engagement letter dated August 20, 2013, 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 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.

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, 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," applicable to each of its major federal 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 included 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 communicated our significant findings at the conclusion of the audit. We also communicated any internal control related matters that are required to be communicated under professional standards.

We began our audit on approximately August 26, 2013, and our reports are dated March 17, 2014.

### ***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. 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's financial statements do not report and disclose sufficient information in regards to capital assets and related depreciation expense, its debt transactions, self-insurance liabilities and estimated costs of closure and post closure for the Landfill operations and related expenses and expenditures.

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; 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 7 Contingencies and Note 14 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. The disagreements with management, specifically the County Auditor, relates to the scope limitations and generally accepted accounting principles departures described in our auditors' report.

## **Management Representations**

We have obtained representation letters, dated March 17, 2014, for the audits of the opinion units, Maverick County Public Facility Corporation (MCPFC) and MCPFC Detention Center, as of and for the year ended September 30, 2012, the audit of the schedule of expenditures of federal awards for the year ended September 30, 2012, and the audit of your major federal programs in accordance with OMB Circular A-133 for the year ended September 30, 2012. We were not able to obtain certain representations from management for the opinion units that we disclaimed an opinion on.

## **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.

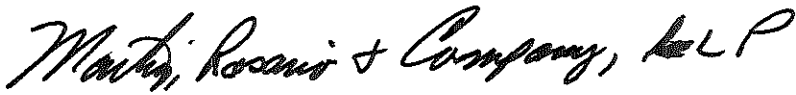
We noted several instances of fraud and other matters regarding certain related parties, former employees, and vendors that are disclosed in Note 7 of the financial statements. We also noted material non-compliance with laws and regulations that is also disclosed in Note 7. In addition, because of the scope limitation due to inadequate records, we were unable to determine the County's compliance with the debt covenants of its Series 2011B and 2012 Tax Notes issued during the year ended September 30, 2012.

**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 three paragraphs of this letter on page 1.

This report is intended solely for the information and use of Commissioners Court, management, federal 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,

A handwritten signature in black ink that reads "Martinez, Rosario & Company, LLP". The signature is written in a cursive, flowing style.

Martinez, Rosario & Company, LLP  
Certified Public Accountants  
San Antonio, Texas