



MARTINEZ, ROSARIO & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

# **MAVERICK COUNTY, TEXAS**

**COMMUNICATION WITH THOSE CHARGED  
WITH GOVERNANCE**

**September 30, 2013**



March 18, 2015

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

We audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Maverick County, Texas (the "County") as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 18, 2015.

The County does not have adequate accounting records for cash accounts, accounts receivable, and accounts payable all internal due to/due from amounts, capital assets, debt transactions, and self-insurance liabilities as of September 30, 2013, and the related revenues, expenditures, expenses and transfers in and out for the year then ended. The County's financial statements do not report and disclose sufficient information in regards to capital assets and related depreciation expense, its debt transactions, and self-insurance liabilities. Furthermore, we were unable to obtain written representations from management of the County as required by generally accepted auditing standards. Since the County's accounting records are inadequate, and we were not able to apply other auditing procedures to satisfy ourselves as to its cash accounts, accounts receivable, accounts payable, capital assets, all of its internal due to/due from amounts, its debt transactions, and self-insurance liabilities and related revenues, expenditures, expenses and transfers in and out, and since we were unable to obtain written representations from management of the County the scope of our work was not sufficient to enable us to express, and we did not express, an opinion on these financial statements.

In addition, our reports 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 4, 2014, 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 in accordance 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 have 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 May 21, 2014, and issued our reports on March 18, 2015.

## ***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 No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, during the current 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'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.
- Closure and Post-Closure Liability and Expense

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 clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Below are the misstatements detected as a result of audit procedures and corrected by management that were material, either individually or in the aggregate, to the financial statements taken as a whole. The audit adjustments made were due to:

- Pending or threatened litigation, claims and assessments (\$550,000)
- Unrecorded workers compensation insurance payable (\$150,831)

## **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. 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 a representation letter, dated January 22, 2015, for the audit of the opinion unit, Maverick County Solid Waste Authority, as of and for the year ended September 30, 2013, a representation letter dated March 18, 2015 on the audit of the schedule of expenditures of federal awards for the year ended September 30, 2013, and the audit of your major federal programs in accordance with OMB Circular A-133 for the year ended September 30, 2013. We were not able to obtain certain representations from management for the opinion units that we disclaimed an opinion on or issued qualified opinions 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,

*Martinez-Rosario & Company, LLP*

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