



MARTINEZ, ROSARIO & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

MAVERICK COUNTY SOLID WASTE AUTHORITY

FINANCIAL STATEMENTS

September 30, 2013

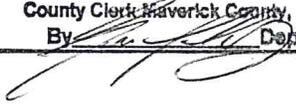
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MAVERICK COUNTY SOLID WASTE AUTHORITY

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Maverick County Solid Waste Authority
Eagle Pass, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the Maverick County Solid Waste Authority ("the Solid Waste Authority"), a component unit of Maverick County, Texas (the "County"), as of and for the year ended September 30, 2013, which comprise the Solid Waste Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Solid Waste Authority, a component unit of the County, as of September 30, 2013, and the respective changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Solid Waste Authority adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, effective October 1, 2012. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, 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, economical, or historical context. We 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 22, 2015, on our consideration of the Solid Waste Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Martinez, Rosario & Company, LLP

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

January 22, 2015

**Maverick County Solid Waste Authority
Management's Discussion and Analysis (MD&A) - Unaudited
For the Fiscal Year Ended September 30, 2013**

General Information

The Maverick County Solid Waste Authority, (the "Solid Waste Authority") is a component unit of Maverick County, Texas (the "County"). The Solid Waste Authority is one of three major business-like activity funds of the County, which as such, will be blended and reported as an enterprise fund in the County's Annual Financial Report (AFR).

Please refer to the Notes to the Financial Statements on pages 14 – 16 (Note 1: *Reporting Entity*) for an overview of the:

- Solid Waste Authority,
- The composition of the Board of Directors of the Solid Waste Authority and the County Commissioners' Court and their powers; and,
- A brief discussion of its financial activities and operations management structure.

Solid Waste Authority Basic Financial Statements

By means of this report, we offer citizens and readers of the Solid Waste Authority's financial statements this narrative overview and analysis of the financial activities of the Solid Waste Authority for the fiscal year ended September 30, 2013. This discussion and analysis is intended to assist in focusing on significant financial issues and changes in the Solid Waste Authority's financial position as well as serve as an introduction to the Solid Waste Authority's basic financial statements. The Solid Waste Authority's basic financial statements are comprised as follows:

- Independent Auditor's Report,
- Management's Discussion and Analysis,
- Financial Statements and,
- Notes to the Financial Statements.

Financial Highlights

Solid Waste Authority Total Net Position was \$5,630,389 as of September 30, 2013. This is primarily comprised of \$7,370,378, for net investment in capital assets, restricted net position of \$51,526 and unrestricted net position of (\$1,791,515). The total net position of the Solid Waste Authority increased by \$1,327,044 from last year. Over time, increases or decreases in total net position may serve as a useful indicator of whether the financial position of the Solid Waste Authority is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position shows \$2,122,415 in operating revenue. Operating expenses show \$3,999,672 which is a \$12,452 increase over the prior year. These increases reflect the third year operating the landfill. Overall, the change in net position is an increase of \$3,259,489 over the prior year.

The Statement of Cash Flows shows an increase of \$1,275,344 in Cash and Cash Equivalents. This statement shows the movement of cash to and from operating and non-operating Solid Waste Authority activities.

Overview of the Financial Statements

The Solid Waste Authority is a single enterprise fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private-sector business enterprises. This discussion and analysis is intended to serve as an introduction to the Solid Waste Authority's basic financial statements, which include the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, and Notes to the Financial Statements.

The Statement of Net Position presents information on the Solid Waste Authority's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Solid Waste Authority is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position are the basic statement of activities for proprietary funds. This statement provides the user information on the Solid Waste Authority's operating revenues and expenses, non-operating revenues and expenses and whether the Solid Waste Authority's financial position has improved or deteriorated as a result of each year's operations.

The Statement of Cash Flows presents the change in the Solid Waste Authority's cash and cash equivalents during each fiscal year. This information can assist the user of the report in determining how the Solid Waste Authority financed its activities and how it met its cash requirements.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data in the financial statements. The Notes to the Financial Statements can be found in this report.

Solid Waste Authority Financial Analysis

Net Position

As noted earlier, net position may serve over time as a useful indicator of the Solid Waste Authority's financial position. The Solid Waste Authority's total net position increased during fiscal year 2013 by \$1,327,044.

Solid Waste Authority Net Position

	<u>Fiscal Year</u>		Difference
	<u>2013</u>	<u>2012</u>	Increase (Decrease)
Current and Other Assets	\$ 2,124,402	\$ 693,016	\$ 1,431,386
Capital Assets, Net	<u>8,249,196</u>	<u>7,188,213</u>	<u>1,060,983</u>
Total Assets	<u>\$ 10,373,598</u>	<u>\$ 7,881,229</u>	<u>\$ 2,492,369</u>
Current Liabilities	\$ 612,264	\$ 564,740	\$ 47,524
Noncurrent Liabilities	<u>4,130,945</u>	<u>3,013,144</u>	<u>1,117,801</u>
Total Liabilities	<u>4,743,209</u>	<u>3,577,884</u>	<u>1,165,325</u>
Net Investment in Capital Assets	7,370,378	6,276,640	1,093,738
Restricted Net Position	-	-	-
Unrestricted Net Position	<u>(1,739,989)</u>	<u>(1,973,295)</u>	<u>135,919</u>
Total Net Position	<u>\$ 5,630,389</u>	<u>\$ 4,303,345</u>	<u>\$ 1,327,044</u>

Analysis of Solid Waste Authority Operations

Changes in Net Position

The following table provides a summary of the Solid Waste Authority's operations for the year ended September 30, 2013, compared to the prior fiscal year:

Change in Net Position

	Fiscal Year		Difference
	2013	2012	Increase (Decrease)
<u>Operating Revenues</u>			
Tipping Fees	\$ 2,117,709	\$ 1,780,675	\$ 337,034
Other Revenue	4,706	-	4,706
Total Operating Revenues	2,122,415	1,780,675	341,740
<u>Operating Expenses</u>			
Operations & Administration	3,999,672	3,987,220	12,452
Total Operating Expenses	3,999,672	3,987,220	12,452
Operating Income (Loss)	(1,877,257)	(2,206,545)	329,288
<u>Non-Operating Revenue/(Expenses)</u>			
Investment Earnings	154	3,740	(3,586)
Interest Expense - Non-Operating	(34,930)	(13,953)	(20,977)
Total Non-Operating Revenue (Expenses)	(34,776)	(10,213)	(24,563)
Income (Loss) Before Transfers	(1,912,033)	(2,216,758)	304,725
Transfers In From County	5,321,573	2,355,563	2,966,010
Transfers Out To County	(2,082,496)	(2,071,250)	(11,246)
Change in Net Position	1,327,044	(1,932,445)	3,259,489
Total Net Position, Beginning of Year	4,303,345	6,235,790	(1,932,445)
Prior Period Adjustment	-	-	-
Total Net Position, End of Year	\$ 5,630,389	\$ 4,303,345	\$ 1,327,044

The focus of the Solid Waste Authority is to provide information on near-term inflows, outflows, and the balances of available resources. Such information is useful in assessing the Solid Waste Authority's financing requirements. In particular, the net revenue realized after deducting the cost of operations and required transfers to the Solid Waste Authority may serve as a useful measure of the Solid Waste Authority's net resources available.

Capital Assets and Debt Administration

Capital Assets: The Solid Waste Authority's investment in capital assets as of September 30, 2013, amounts to \$8,249,197 (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, landfill, Cell 1 and construction in progress. The following schedule shows the Solid Waste Authority's capital assets at year end.

Solid Waste Authority Capital Assets at Year End

	<u>2013</u>	<u>2012</u>
Land	\$ 308,919	\$ 308,919
Construction in Progress	2,298,997	166,109
Building	502,395	502,395
Vehicles and Equipment	2,595,845	2,237,955
Landfill Infrastructure	1,935,484	1,935,484
Landfill Cell One	2,550,092	2,550,092
Landfill Permitting	<u>2,175,360</u>	<u>2,175,360</u>
	12,367,092	9,876,314
Less Accumulated Depreciation	<u>(4,117,895)</u>	<u>(2,688,101)</u>
Total Capital Assets	<u>\$ 8,249,197</u>	<u>\$ 7,188,213</u>

There were several changes in capital assets as of September 30, 2013, when compared to the prior year. The changes were the construction in progress for Cell 2 and the new capital lease Solid Waste Authority entered into during the year. See Note 4 for more information.

Debt

The Solid Waste Authority has three capital leases and a note payable. See Note 5 and 9 for more information.

Changes in Debt Rating

The County's bond rating is currently unrated status.

Subsequent Events

Subsequent events were evaluated by the management office of the County and the Solid Waste Authority through January 22, 2015, which is the date the financial statements were available to be issued. As of January 22, 2015, the subsequent events related to the construction of the Landfill Cell 2 and the continuing trials of the eight current and former governing board members and employees of the Solid Waste Authority and the County. More details and the necessary disclosures are represented in the Notes to Financial Statements.

Request for Information

The accompanying report of our audited financial statements is designed to provide our citizens, customers, investors, and creditors with a general overview of the Solid Waste Authority's operations and financial position. If there are any questions about this report or any additional information is needed, please contact:

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El Indio, TX 78860

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County website: www.co.maverick.tx.us

MAVERICK COUNTY SOLID WASTE AUTHORITY
STATEMENT OF NET POSITION
As of September 30, 2013

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 1,792,249
Short-Term Investments	51,526
Accounts Receivable, Net	<u>280,627</u>

Total Current Assets 2,124,402

Noncurrent Assets:

Capital Assets	
Land	308,919
Construction in Progress	2,298,997
Building	502,395
Vehicles and Equipment	2,595,844
Landfill Infrastructure	1,935,484
Landfill Cell One	2,550,092
Landfill Permitting	2,175,360
Accumulated Depreciation	<u>(4,117,895)</u>

Total Noncurrent Assets 8,249,196

TOTAL ASSETS \$ 10,373,598

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$ 188,340
Accrued Payroll and Related Liabilities	23,417
Accrued Compensated Absences	2,820
Current Portion of Compromise and Settlement Agreement Note Payable	96,336
Due to County	121,562
Capital Lease Payable	<u>179,789</u>

Total Current Liabilities 612,264

NonCurrent Liabilities:

Capital Lease Payable	699,029
Accrued Compensated Absences	25,384
Compromise and Settlement Agreement Note Payable	578,018
Accrued Landfill Closure and Postclosure Care Costs	<u>2,828,514</u>

Total NonCurrent Liabilities 4,130,945

Total Liabilities 4,743,209

NET POSITION

Net Investment in Capital Assets	7,370,378
Restricted Net Position	51,526
Unrestricted Net Position	<u>(1,791,515)</u>

TOTAL NET POSITION \$ 5,630,389

The notes to the financial statements are an integral part of these financial statements.

MAVERICK COUNTY SOLID WASTE AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended September 30, 2013

OPERATING REVENUES	
Tipping Fees	\$ 2,117,709
Other Revenue	4,706
	<hr/>
TOTAL OPERATING REVENUES	2,122,415
OPERATING EXPENSES	
Personnel Services	687,181
Purchased Professional & Technical Services	195,008
Supplies	26,496
Regulatory Fees	86,760
Other Operating Expenses	497,256
Closure and Postclosure Care Costs	1,077,177
Depreciation	1,429,794
	<hr/>
TOTAL OPERATING EXPENSES	3,999,672
OPERATING LOSS	(1,877,257)
NON-OPERATING REVENUES (EXPENSES)	
Interest Expense	(34,930)
Investment Earnings	154
	<hr/>
TOTAL NON-OPERATING REVENUES (EXPENSES)	(34,776)
Loss Before Transfers	(1,912,033)
Transfers In From County	5,321,573
Transfers Out To County	(2,082,496)
	<hr/>
CHANGE IN NET POSITION	1,327,044
TOTAL NET POSITION - OCTOBER 1 (BEGINNING)	4,303,345
	<hr/>
TOTAL NET POSITION - SEPTEMBER 30 (ENDING)	<u>\$ 5,630,389</u>

The notes to the financial statements are an integral part of these financial statements.

MAVERICK COUNTY SOLID WASTE AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 1,921,562
Cash Paid to Employees	(683,600)
Cash Paid to Suppliers and Contractors	<u>(736,202)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	501,760
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Advances from County Funds	69,732
Transfers In	5,321,573
Transfers Out	<u>(2,082,496)</u>
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	3,308,809
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES:	
Acquisition of Capital Assets	(2,058,279)
Principal Paid on Capital Lease	(390,644)
Interest Paid on Capital Lease	<u>(34,930)</u>
NET CASH USED FOR CAPITAL & RELATED FINANCING ACTIVITIES	(2,483,853)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest Received on Investments	154
Purchase of CD	<u>(51,526)</u>
NET CASH USED FOR INVESTING ACTIVITIES	(51,372)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,275,344
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR:	<u>516,905</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ <u>1,792,249</u>

The notes to the financial statements are an integral part of these financial statements.

MAVERICK COUNTY SOLID WASTE AUTHORITY
STATEMENT OF CASH FLOWS -- Continued
For the Year Ended September 30, 2013

RECONCILIATION OF OPERATING LOSS TO NET CASH

PROVIDED BY OPERATING ACTIVITIES:

Operating Loss: \$ (1,877,257)

ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH

PROVIDED BY OPERATING ACTIVITIES:

Depreciation 1,429,794
 Amortization of Compromise and Settlement Agreement Note Payable (96,336)
 Effect of Increases and Decreases in Operating Assets and Liabilities:
 Increase in Receivables (104,517)
 Increase in Accounts Payable 69,318
 Increase in Compensated Absences 4,703
 Decrease in Wages and Salaries Payable (1,122)
 Increase in Closure and Postclosure Care Costs 1,077,177

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 501,760

SUPPLEMENTAL DISCLOSURE OF OPERATING ACTIVITIES AND NONCASH

FINANCING ACTIVITIES:

Solid Waste Usage Provided at No Cost to Maverick County (\$169,081) and Maverick County Road and Bridge (\$47,340) \$ 216,421

Acquisition of Equipment through Capital Lease \$ 357,890

RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS:

Cash and Cash Equivalents \$ 1,792,249

TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR \$ 1,792,249

MAVERICK COUNTY SOLID WASTE AUTHORITY

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MAVERICK COUNTY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Maverick County Solid Waste Authority (the "Solid Waste Authority") have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Solid Waste Authority applies all GASB pronouncements as well as the Financial Accounting Standards Board (FASB) Statements and Interpretations; ARB Opinions, and ARBs issued on or before November 30, 1989, in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. The Solid Waste Authority has elected not to apply any FASB Statements and Interpretations issued after November 30, 1989. The more significant of the Solid Waste Authority's accounting policies are described below.

Reporting Entity

On August 10, 2009, the Maverick County Commissioners' Court approved creation of the Solid Waste Authority (a Texas non-profit corporation) for the purpose of operating the County's Type I landfill. This Corporation was formed pursuant to the Texas Transportation Code, which authorizes the Corporation to assist and act on behalf of Maverick County to accomplish any governmental purpose of Maverick County. The bylaws of the Corporation call for the Maverick County Commissioners' Court appointment and approval of the Corporation's five member Board of Directors. The Solid Waste Authority was formed on August 25, 2009 and commenced its operations on October 7, 2009. The Solid Waste Authority assumed operation of the County's landfill on October 1, 2010.

In order to construct the landfill operations and cell one, the County issued Prior Lien Bonds. These bonds state that the County hereby covenants and agrees that all Gross Revenue derived from the operation of the Solid Waste Management System shall be kept separate and apart from all other funds, accounts and money of the County and shall be deposited as collected into the "MAVERICK COUNTY SOLID WASTE MANAGEMENT SYSTEM REVENUE FUND" (the "Reserve Fund"). All money deposited in the Revenue Refund shall be pledged and appropriated to the extent required for the following purposes and in order of priority shown:

MAVERICK COUNTY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – Continued
For the Year Ended September 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

First: to the payment of the reasonable and proper Maintenance and Operating Expenses of the Solid Waste Management System required by statute or orders authorizing the issuance of any indebtedness of the County to be a first charge on and claim against the Gross Revenues of the Solid Waste Management System;

Second: to the payment of all amounts required to be deposited in the special fund and account established for the payment, security, and benefit of any Prior Lien Bond hereafter issued by the County in accordance with the terms and provisions of any orders authorizing their issuance;

Third: to the payment of all amounts required to be deposited in the special funds and accounts established for the payment, security, and benefit of any Additional Revenue Obligations hereafter issued by the County in accordance with the terms and provisions of any orders authorizing their issuance; and

Fourth: to the payment of the amounts required to be deposited in the special funds and accounts created and established for the payment, security, and benefit of the Obligations Similarly Secured or any Additional Parity Obligations hereafter issued by the County in accordance with the terms and provisions of the orders authorizing their issuance.

Any Net Revenues remaining in the Revenue Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment, securing any benefit thereof, may be appropriate and used for any other County purpose now or hereinafter permitted by law.

The County is a public corporation and a political subdivision of the State of Texas. The general governing body of the County is the Commissioners' Court, which has none of the functions of a court, but has powers and duties defined by the Texas Constitution and state statutes. The court is comprised of five elected officials consisting of the County Judge (elected county-wide) and four Commissioners elected by precinct. The County Judge is the administrative officer of the County. The general functions of the Commissioners' Court as established by State statutes are to establish a courthouse and jail, appoint numerous minor public officials, fill vacancies in certain County offices, authorize contracts in the name of the County, build roads and bridges, administer

MAVERICK COUNTY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – Continued
For the Year Ended September 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

the County's public welfare services, perform numerous duties in regard to elections, set the County tax rate, issue bonds or other forms of debt, adopt the County's budget, and any other functions authorized by law.

The Solid Waste Authority is a component unit of the County. The Solid Waste Authority is a major business-like activity fund of the County, which as such, will be blended and reported as an enterprise fund in the County's Annual Financial Report (AFR).

Fund Financial Statements

GASB 34 requires that basic financial statements and required supplementary information consist of Management's Discussion and Analysis (MD&A), Enterprise Fund Financial Statements, Notes to Financial Statements, and Required Supplementary Information other than MD&A, if applicable. Required fund basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, incorporates guidance that previously could only be found in certain FASB and American Institute of Certified Public Accountants (AICPA) pronouncements issued prior to November 30, 1989. There was no impact to the Solid Waste Authority's financial statements as a result to the implementation of this guidance.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, establishes guidance for reporting these elements in the statement of financial position and lays out two presentation formats that may be used. It specifies that the statement of net position should report the residual amount as net position rather than net assets. Other than a change in presentation, there was no impact to the Solid Waste Authority's financial statements from implementation of this guidance.

The Solid Waste Authority's basic financial statements are presented as a single Enterprise Fund. This Enterprise Fund accounts for the acquisition, operation, and maintenance of the Solid Waste Authority's facilities and services and is accounted for on a flow of economic resources measurement focus. With this

MAVERICK COUNTY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – Continued
For the Year Ended September 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net position. The Enterprise Fund is accounted for using the accrual basis of accounting. Its revenue is recognized when it is earned and its expenses are recognized when they are incurred.

The Solid Waste Authority distinguishes *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services. The Solid Waste Authority had operating revenues for the year. Operating expenses for the Solid Waste Authority include operation expenses and administrative expenses. All revenues and expenses not meeting these criteria are reported as non-operating revenues and expenses.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits as well as highly liquid and short-term investments with an original maturity date of approximately three months or less from the date acquired by the Solid Waste Authority.

State statutes and bond covenants authorize the Solid Waste Authority to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

Neither the County nor the Solid Waste Authority has adopted a formal investment policy; however, all cash and temporary investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. Investments are stated at cost or amortized costs, which approximates market value.

Assets, Liabilities and Net Position

Investments

Investments consist of a CD with a one year maturity with an interest rate of .85%. The CD was issued in April of 2013 and was renewed in April of 2014. See Note 2.

MAVERICK COUNTY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – Continued
For the Year Ended September 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets

Capital assets include land, construction in progress, building, vehicles and equipment, infrastructure, cell one and permitting. Buildings are depreciated using the straight-line method over 30 years, vehicles and equipment are 5-10 years, and the landfill infrastructure and permitting are 30 years. Cell one is being depreciated using usage capacity.

Interest & Transfers

Interest Income

Total interest income is \$154.

Transfers

The County transferred \$5,321,573 in sales tax and proceeds from financing collected during the year. Solid Waste Authority transferred to the County \$674,415 for bond payments, \$1,408,081 in regular transfers.

NOTE 2: DEPOSITS AND INVESTMENTS

As of September 30, 2013, the Solid Waste Authority had a certificate of deposit (CD) totaling \$51,526. This CD was issued on April 5, 2013. See Note 3.

The Solid Waste Authority is authorized to make investments as permitted by the Solid Waste Authority bond indenture which are comparable to investments listed in Chapter 2256 of the Texas Government Code following the “prudent person rule”. There were no significant violations of legal provisions during the period. At September 30, 2013, the Solid Waste Authority had cash and cash equivalents totaling \$1,792,249

MAVERICK COUNTY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – Continued
For the Year Ended September 30, 2013

NOTE 2: DEPOSITS AND INVESTMENTS – Continued

Custodial Credit Risk for Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Neither the Solid Waste Authority, nor the County has a formal policy on credit risk, custodial risk, and concentration of credit risk; however, the Solid Waste Authority's investment policy and Government Code Chapter 2257, *Collateral for Public Funds*, contains legal or policy requirements that would limit the exposure to custodial risk for deposits or investments.

The Solid Waste Authority is not exposed to custodial risk for its deposits as all are covered by depository insurance and collateral coverage.

NOTE 3: LETTER OF CREDIT

At September 30, 2011, the Solid Waste Authority had an unused irrevocable standby letter of credit in the amount of \$570,000. The letter of credit was effective on August 31, 2010, with an expiration date of August 31, 2011 that automatically extends for a period of at least one year at August 31, 2011 and on each successive expiration date, unless, at least 120 days before the expiration date the financial institution notifies the Solid Waste Authority that it has decided not to extend the letter of credit. The letter of credit was collateralized by a certificate of deposit totaling \$574,283.

On April 28, 2011, the financial institution sent the Solid Waste Authority a non-renewal notice. On August 12, 2011 the financial institution rescinded the non-renewal notice and renewed the letter of credit for another one year period as of the expiration date of August 31, 2011. In June 2012, the letter of credit was cancelled with the permission of the Texas Commission on Environmental Quality. The letter of credit was replaced by an Insurance Performance Bond which went into effect May 1, 2012.

MAVERICK COUNTY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – Continued
For the Year Ended September 30, 2013

NOTE 3: LETTER OF CREDIT – Continued

The letter of credit is for the County’s Solid Waste Authority landfill and is pledged to the Texas Commission on Environmental Quality. See Note 6 for subsequent information concerning the letter of credit.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, not being depreciated:				
Land	\$ 308,919	\$ -	\$ -	\$ 308,919
Construction in Progress	166,109	2,132,888	-	2,298,997
Total Capital Assets Not Being Depreciated	<u>475,028</u>	<u>2,132,888</u>	<u>-</u>	<u>2,607,916</u>
Capital Assets, being depreciated:				
Building	502,395	-	-	502,395
Vehicles and Equipment	2,237,955	357,890	-	2,595,845
Infrastructure	1,935,484	-	-	1,935,484
Cell One	2,550,092	-	-	2,550,092
Permitting	2,175,360	-	-	2,175,360
Total Capital Assets being depreciated	<u>9,401,286</u>	<u>357,890</u>	<u>-</u>	<u>9,759,176</u>
Less Accumulated Depreciation:	<u>2,688,100</u>	<u>1,429,795</u>	<u>-</u>	<u>4,117,895</u>
Total Capital Assets Being Depreciated, Net	<u>6,713,186</u>	<u>(1,071,905)</u>	<u>-</u>	<u>5,641,281</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 7,188,214</u>	<u>\$ 1,060,983</u>	<u>\$ -</u>	<u>\$ 8,249,197</u>

The Solid Waste Authority had \$69,353 in capitalized interest cost for the year related to the borrowing of funds for the construction of Cell 2.

MAVERICK COUNTY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – Continued
For the Year Ended September 30, 2013

NOTE 5: CAPITAL LEASES

The Solid Waste Authority entered into three lease purchase agreements for the acquisition of machinery and equipment. The first payment started November 2010 for the first lease, started October 2012 for the second lease, and started December 2012 for the third lease. Lease payments for the fiscal year ended September 30, 2013, totaled \$390,644. The effective interest rate is 3.5% for the first lease and 3.2% for the second and third lease. Total cost of the assets acquired under the capital leases is \$1,719,955 with accumulated depreciation of \$475,127.

At September 30, 2013, the Solid Waste Authority had future minimum lease payments under capital leases with a remaining term in excess of one year as follows:

Year End September 30,	Amount
2014	204,653
2015	183,575
2016	183,575
2017	183,575
2018	183,576
2019	10,940
Future Minimum Lease Payments	949,894
Less: Interest	(71,076)
Present Value of Future Minimum Lease Payments	878,818
Less: Current Portion	(179,789)
Capital Lease, Net of Current Portion	<u>\$ 699,029</u>

MAVERICK COUNTY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – Continued
For the Year Ended September 30, 2013

NOTE 6: SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The Solid Waste Authority at year-end operated one active cell at the landfill site. State and federal laws and regulations require the Solid Waste Authority to place a cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years (30) after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the landfill capacity used as of each statement of net position date. These future closure and post closure care costs will be paid only near or after the date the landfill no longer accepts waste. The \$2,828,514 reported as accrued landfill closure and post closure care costs at September 30, 2013, represents the cumulative amount reported to date based on the use of 97.27% of the estimated capacity of the landfill. The current change recognized in this fiscal year is \$1,077,177. The Solid Waste Authority will recognize the remaining estimated cost of closure and post closure care of \$79,418 as the remaining estimated capacity is filled. The Solid Waste Authority estimates the useful life as of September 30, 2013, to approximate three years (3). The estimated total current cost of the accrued landfill closure and post closure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor and maintain the landfill were acquired as of September 30, 2013. However, the actual cost of closure and post closure care may change due to inflation, changes in technology, or changes in landfill laws and regulations. The above estimated charges are based on a study conducted by SCS Engineers and presented in a report dated April 2013.

Texas Commission on Environmental Quality (TCEQ) Financial Assurance

The Solid Waste Authority is required under the provision of the Texas Administrative Code to provide financial assurance to the Texas Commission on Environmental Quality (TCEQ), formerly known as the Texas Natural Resource Conservation Commission, related to the closure of municipal solid waste operations including, but not limited to, storage, collection, handling, transportation, processing, and disposal of municipal solid waste. As such, financial assurance is required to ensure that funds are available, when needed, to meet costs associated with the closure of the County's landfill. The Solid Waste Authority pledged to the TCEQ a Letter of Credit in the amount of \$570,000.

On June 13, 2012, the TCEQ gave authorization to International Bank of Commerce to cancel the Letter of Credit. The Letter of Credit was replaced by an

MAVERICK COUNTY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – Continued
For the Year Ended September 30, 2013

NOTE 6: SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS --
Continued

Insurance Performance Bond for \$2,907,932 which went into effect on May 1, 2013. The Performance Bond was last renewed on May 1, 2014 in the amount of \$3,638,851.

NOTE 7: RISK MANAGEMENT

The Solid Waste Authority relies on the County to manage all of its risks through the County's risk management process. The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has contracted with insurance companies for certain coverage in order to minimize risk. However, the County retains full risk of law enforcement, auto, and airport liability.

NOTE 8: INTERLOCAL GOVERNMENTAL AGREEMENT

On July 19, 2011, the Solid Waste Authority entered into an Interlocal Governmental Agreement with the County whereby the Solid Waste Authority agreed to pledge monetary funds from tipping fees and the County has agreed to accept the monetary funds pledged by the Solid Waste Authority.

Per the terms of the agreement, the Solid Waste Authority has agreed to pledge and transfer monetary funds from its tipping fees collection for a period of three fiscal years commencing in the fiscal year 2011-2012. The amounts pledged by the Solid Waste Authority are as follows: the first fiscal year 2011-2012 will be in the amount of \$1,000,000; the second fiscal year 2012-2013 will be in the amount of \$1,200,000; and, the third fiscal year 2013-2014 will be in the amount of \$1,400,000. No amounts shall be pledged and/or transferred following the expiration of the 2013-2014 fiscal year.

The monies pledged are contingent upon the Solid Waste Authority receiving sufficient tipping revenues for the respected fiscal years indicated and the Solid Waste Authority maintains the right to annually review its ability to satisfy any pledge at the end of each fiscal year in order to make a determination that a pledge can in fact be satisfied without financial detriment to the operation and maintenance of the Solid Waste Authority for each fiscal year.

MAVERICK COUNTY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – Continued
For the Year Ended September 30, 2013

NOTE 9: COMPROMISE AND SETTLEMENT AGREEMENT NOTE PAYABLE

The Solid Waste Authority, County, and the City of Eagle Pass, TX (City) entered into a Compromise and Settlement Agreement on November 16, 2010. With this agreement, the County settled any outstanding debt for landfill and fire related protection and emergency ambulance services by the City through September 8, 2008 amounting to \$963,364 (\$869,663 plus 6% simple interest from January 30, 2009 through October 31, 2010 (\$93,701)). The agreement states that in lieu of cash payments by the County, the City will be able to deposit 2,408.41 tons (\$963,364/10years/\$40) of Type I refuse in the Solid Waste Authority's Landfill for ten (10) years at a credit to the City of \$40 per ton. The agreement also states that the Solid Waste Authority will assume the debt. The Solid Waste Authority is amortizing this note payable based upon tons of Type I refuse received at a rate of \$40 per ton. The amount amortized each year is capped at \$96,366. The Solid Waste Authority anticipates it will amortize this note payable over 10 years. If the Solid Waste Authority is not able to fulfill its obligations, then the County will assume the debt.

NOTE 10: SUBSEQUENT EVENTS

Subsequent events were evaluated by the management office of the County and the Solid Waste Authority through January 22, 2015, which is the date the financial statements were available to be issued. As of January 22, 2015, the following subsequent events discussed below were deemed to be necessary disclosures.

- The construction of Landfill Cell 2 was substantially completed on December 23, 2013.
- A total of eight current and former governing board members and employees of the Solid Waste Authority and the County including the former Landfill Manager, were indicted and arrested, on varying criminal charges including charges involving Solid Waste Authority and County Business. Of the eight individuals, one had all charges dropped during April 2013, two pled guilty during January 2013 and one pled guilty during May 2013. The former landfill manager pled guilty during June 2013. Four individuals are scheduled to be sentenced in federal court during late February 2015. Management identified a total of \$63,818 in fraudulent payments, \$37,641 in 2012 and \$26,177 in 2013. Insurance coverage was not available to cover the losses.

REPORT REQUIRED BY
GOVERNMENTAL AUDITING STANDARDS



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Maverick County Solid Waste Authority
Eagle Pass, Texas

We have 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 of the Maverick County Solid Waste Authority (the "Solid Waste Authority"), a component unit of Maverick County, Texas (the "County"), as of and for the year ended September 30, 2013, and have issued our report thereon dated January 22, 2015. The report contained an emphasis of matter paragraph regarding financial reporting.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Solid Waste Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but nor for the purpose of expressing an opinion on the effectiveness of Solid Waste Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Solid Waste Authority's 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 described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. Finding 2013-01.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Solid Waste Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items. Finding 2013-02.

The Solid Waste Authority's Response to Findings

The Solid Waste Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Solid Waste Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Martinez, Rosario & Company, LLP

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

January 22, 2015

MAVERICK COUNTY SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended September 30, 2013

SECTION I – INTERNAL CONTROL OVER FINANCIAL REPORTING

Finding 2013-01

Solid Waste Authority Accounting, Internal Controls and Financial Reporting Deficiencies
Type of Finding: Material Weakness and Material Non-Compliance

Condition and Context:

1. **Inadequate Controls over the Financial Reporting Process** – As in the prior year, manual journal entries were used to process routine accounting transactions. The use of journal entries is generally considered to be high risk. Accordingly, the use of journal entries to process transactions should be kept to an absolute minimum. There is also no process in place to assess the impact that journal entries could have on opening balances due to the effect on prior year financial statements.
2. **Inadequate Cash Controls** – As in the prior year, bank reconciliations at the year-end were not prepared for two bank accounts that were subsequently closed. There was no evidence of supervisory approval or preparer initials on any year end bank reconciliations.
3. **Lack of Proper Supporting Documentation** – As in the prior year, there were no effective processes to ensure that all journal entries were properly supported therefore transactions related to accounts receivables, tipping fees, payroll and some expense items did not have the proper supporting documentation.

Criteria:

1. **Inadequate Controls over the Financial Reporting Process** – Reports produced by the systems that provide financial information, whether used internally or externally, shall provide financial data that can be traced directly to the individual accounts and sub-ledgers. The criteria (e.g., timing, processing rules/conditions) for recording financial events in all financial management systems shall be consistent with accounting transaction definitions and processing rules.

**MAVERICK COUNTY SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES – Continued
For the Year Ended September 30, 2013**

SECTION I - INTERNAL CONTROL OVER FINANCIAL REPORTING - Continued

Finding 2013-01 – Continued

2. **Inadequate Cash Controls** – As noted in the prior year, the Solid Waste Authority should have procedures in place to ensure bank reconciliations for all cash accounts are prepared within 45 days of month end. Also, all bank reconciliations should be reviewed and approved by a supervisor on a monthly basis.
3. **Lack of Proper Supporting Documentation** – GAO's *Standards for Internal Control* state internal controls and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. All documentation and records should be properly managed.

Effect:

1. **Inadequate Controls over the Financial Reporting Process** – Financial statements amounts may be misstated or not properly supported. Failure to implement effective processes and procedures could increase the risks of fraud, violations of appropriation laws and mismanagement of funds.
2. **Inadequate Cash Controls** – Failure to prepare bank reconciliations on a timely basis and failure for bank reconciliations to be reviewed and approved by a supervisor could result in the misstatement or misappropriation of cash and weakening of internal controls over cash and the inability to detect material errors.
3. **Lack of Proper Supporting Documentation** – Financial statements amounts may be misstated and/or not properly supported. Failure to implement effective processes and procedures could increase the risks of fraud, violations of appropriation laws and mismanagement of funds. In addition, payroll payments to employees may be inaccurate and weaken internal controls over the payroll process.

MAVERICK COUNTY SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES - Continued
For the Year Ended September 30, 2013

SECTION I - INTERNAL CONTROL OVER FINANCIAL REPORTING - Continued

Finding 2013-01 – Continued

Cause:

1. **Inadequate Controls over the Financial Reporting Process** – Policies and procedures are not in place to ensure the effectiveness of financial management and oversight. Specifically, there are not effective processes in place to ensure that journal entries are only used to record non-routine accounting transactions.
2. **Inadequate Cash Controls** – No proper review and approval of bank reconciliations.
3. **Lack of Proper Supporting Documentation** – Effective policies and procedures are not in place to ensure the propriety and completeness of routine entries to the general ledger. Specifically, there are no effective processes in place to ensure that journal entries are only used for routine transactions and are properly prepared, supported, approved and monitored. Also, system controls are not in place to ensure proper segregation of duties related to the preparation and posting of journal entries.

Recommendation:

1. **Inadequate Controls over the Financial Reporting Process** – As recommended in the prior year, recording entries on a timely basis at the individual transaction level to maintain the integrity of the general ledger. In addition, journal entries should only be used to record non-routine transactions and should be kept to a minimum. Develop effective policies and procedures that will strengthen controls over the journal entry review and approval process to ensure that all journal entries are complete, accurate, properly supported and approved prior to posting in the general ledger.
2. **Inadequate Cash Controls** – As recommended in the prior year, bank reconciliations should be reviewed and approved by a supervisor. Evidence of review should be documented on the bank reconciliations. Bank reconciliations should be prepared for all accounts, including the final reconciliation for closed ones and the reconciliations should be prepared on a timely basis.
3. **Lack of Proper Supporting Documentation** – As recommended in the prior year, maintain an adequate filing system and develop policies and procedures to review all supporting documentation before approval or processing of transactions.

**MAVERICK COUNTY SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES - Continued
For the Year Ended September 30, 2013**

SECTION I - INTERNAL CONTROL OVER FINANCIAL REPORTING - Continued

Finding 2013-01 – Continued

Management response:

1. **Inadequate Controls over the Financial Reporting Process:** the reason manual journal entries were used to process routine accounting transactions is because STW, our accounting software, requires strong internet signal and at the time this was not available at the landfill site. However, we have been checking for a solution since we assumed accounting for solid waste books in March 2013. Currently, we are testing the software to see if we can set up at the site within the next couple of months. Also STW is a journal entry based software that requires journal entries for all entries (payroll, cash receipts, cash disbursements, etc.)

Expenses related to utilities are processed upon arrival and after verifying that the service address on the bill is the one corresponding to the landfill site. No PO is required to process these payments to avoid service interruption based on prior experiences where we have had disconnection of services. Charges for these expenses are verified by the Landfill Manager on a monthly basis. We will revise the procedures where the charges for services will be verified by the landfill manager and reviewed by the Treasurer.

2. **Inadequate Cash Controls:** Bank reconciliations are now prepared by the accountant in the County Auditor's office within 45 days of month end. As mentioned before we did not assume responsibility for the accounting until March 2013. The closed account was closed in May 2012.
3. **Lack of Proper Supporting Documentation:** Procedures have been established to ensure that proper documentation is obtained to support all transactions. Journal entries are being reviewed by a supervisor.

In reference to the findings related to payroll process, the Auditor's does not prepare payroll. The payroll department processes all payroll and therefore all payroll findings will be directed by the Auditor's office to them.

MAVERICK COUNTY SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES - Continued
For the Year Ended September 30, 2013

SECTION II – COMPLIANCE AND OTHER MATTERS

Finding 2013-02

Type of Finding: Material Weakness and Material Non-Compliance

The Maverick County Solid Waste Authority is required to comply with the Public Funds Investment Act (the Act). The Solid Waste Authority was not in compliance since the following requirements of the Act were not followed:

1. An investment policy was not adopted, implemented and publicized.
2. An Investment Officer was not designated.
3. The required training education in investment controls, security risks, strategy risk, and compliance with the Public Funds Investment Act was not obtained.
4. The lack of an investment policy indicates that there was no means to state that the officers and employees should refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. There is no policy that required employees and investment officials to disclose any material interest in financial institutions or any personal financial/investment positions that could be related to the performance of the investment portfolio.
5. A list of authorized investments from where the investment officer may purchase, sell, and invest Solid Waste Authority's funds was not maintained.

**MAVERICK COUNTY SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES - Continued
For the Year Ended September 30, 2013**

SECTION II – COMPLIANCE AND OTHER MATTERS

Finding 2013-02 – Continued

6. Investment reports were not submitted to the Board of Directors, as required.
7. Solid Waste Authority staff did not submit to the governing board for their approval a separate written investment strategy for each of the funds under its control.

Management response:

1. **Material Weakness and Material Non-Compliance:** At our next scheduled Board of Directors meeting, an item will be considered to appoint an Investment Officer to develop and bring to the Board an Investment Policy for the Maverick County Solid Waste Authority Board to review and consider for adoption in order to comply with Government Code, Title 10, Subtitle F, Chapter 2256 Sec. 2256.005. Investment Policies; Investment Strategies, Investment Officer.

MAVERICK COUNTY SOLID WASTE AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2013

SECTION I – INTERNAL CONTROL OVER FINANCIAL REPORTING

Finding 2012-01

Solid Waste Authority Accounting, Internal Controls and Financial Reporting Deficiencies
Type of Finding: Material Weakness and Material Non-Compliance

Condition and Context:

1. **Inadequate Controls over the Financial Reporting Process** – Manual journal entries were used to process routine accounting transactions throughout the year. The use of journal entries is generally considered to be high risk. Accordingly, the use of journal entries to process transactions should be kept to an absolute minimum.
2. **Inadequate Cash Controls** - Bank reconciliations at the year-end were not prepared for two bank accounts that were subsequently closed. There was no evidence of supervisory approval or preparer initials on any year end bank reconciliations.
3. **Lack of Proper Supporting Documentation** – There were no effective processes to ensure that all journal entries were properly supported therefore transactions related to accounts receivables, tipping fees, payroll and some expense items did not have the proper supporting documentation.

Status:

1. **Inadequate Controls over the Financial Reporting Process** – This finding was repeated during the current year. Refer to Finding 2013-01 for additional details.
2. **Inadequate Cash Controls** – This finding was repeated during the current year. Refer to Finding 2013-01 for additional details.
3. **Lack of Proper Supporting Documentation** – This finding was repeated during the current year. Refer to Finding 2013-01 for additional details.

**MAVERICK COUNTY SOLID WASTE AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - Continued
For the Year Ended September 30, 2013**

SECTION II – COMPLIANCE AND OTHER MATTERS

Finding 2012-02

Type of Finding: Material Weakness and Material Non-Compliance

The Maverick County Solid Waste Authority is required to comply with the Public Funds Investment Act (the Act). The Solid Waste Authority was not in compliance since the following requirements of the Act were not followed:

1. An investment policy was not adopted, implemented and publicized.
2. An Investment Officer was not designated.
3. The required training education in investment controls, security risks, strategy risk, and compliance with the Public Funds Investment Act was not obtained.
4. The lack of an investment policy indicates that there was no means to state that the officers and employees should refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. There is no policy that required Employees and investment officials to disclose any material interest in financial institutions or any personal financial/investment positions that could be related to the performance of the investment portfolio.
5. A list of authorized investments from where the investment officer may purchase, sell, and invest Solid Waste Authority's funds was not maintained.
6. Investment reports were not submitted to the Board of Directors, as required.
7. Solid Waste Authority staff did not submit to the governing board for their approval a separate written investment strategy for each of the funds under its control.

Status: This finding was repeated in the current year. Refer to Finding 2013-02 for additional details.