

NEFFENDORF, KNOPP, DOSS & COMPANY, P.C.

Certified Public Accountants

P.O. BOX 874 · 736 S. WASHINGTON ST.

FREDERICKSBURG, TEXAS 78624-0874

(830) 997-3348

FAX: (830) 997-3333

Email: nkhd@austin.rr.com

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER
TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

March 14, 2014

Honorable Judge and Commissioners
County of Gillespie, Texas
Fredericksburg, TX 78624

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gillespie County, Texas for the year ended September 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 25, 2013. Professional standards also require that we communicate to you the following information related to our audit.

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 Gillespie County, Texas are described in Note I to the financial statements. As described in Note 3.O. to the financial statements, Gillespie County, Texas changed accounting policies related to reporting deferred advalorem tax revenue which is expected to be collected in future years and expensing bond issue costs. by adopting GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* in 2013. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Government Wide Statement of Net Position, the Government Wide Statement of Activities, and the Governmental Funds Balance Sheet. The application of existing policies was not changed during 2013. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the period.

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. There were no significant accounting estimates.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

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. 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 March 14, 2014.

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 governmental unit'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 check 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 governmental unit'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 made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it had not changed from the prior period, and the information is appropriated and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Recommendations

Tax Assessor Collector

During the first part of the fiscal year the bank reconciliations were not completed timely and accurately. With the County Auditor's assistance, the bank reconciliations were completed correctly by the end of the year. All tax distributions to the entities were made accurately and timely throughout the fiscal year.

The monthly collections for fees of office for September, 2013, from the Tax Assessor Collector were again not recorded in the general ledger. We made an audit adjustment to record the receivable and revenue. We again recommend that revenue due from the county offices at year end be recorded in the general ledger (receivable and revenue).

District Clerk

In two separate instances, minor accounts as requested by the court, were not set up until a year after the receipt of the funds. Upon discovery of the checks which had been securely placed in the vault in a locked file cabinet in the District Clerk's office, the Certificate of Deposit accounts were then set up as had been requested. Controls should be implemented to ensure that minor accounts are set up immediately upon receipt of the funds. These accounts should be entered on a log or summary immediately and the log should be reviewed and updated at least monthly.

Office of Court Administration (OCA) Reports – Justice of the Peace Precinct #2

The annual OCA Reports filed by the Justice of the Peace Precinct #2 did not reconcile to the total of their monthly collection reports. Upon inquiry, we were informed that items had been reported twice on the monthly OCA reports. The Justice of the Peace clerk should reconcile the OCA reports to the monthly reports and work with the Odyssey reporting system to correct the reporting to the OCA.

This information is intended solely for the use of the Commissioner's Court and management of County of Gillespie and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Neffendorf, Knopp, Doos + Company, P.C.

NEFFENDORF, KNOPP, DOSS & COMPANY, P.C.

Fredericksburg, Texas

March 14, 2014