

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

Certified Public Accountants

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MEMBER
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CERTIFIED PUBLIC ACCOUNTANTS

March 20, 2015

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, 2014. 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 January 15, 2015. 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. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by Gillespie County 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 proper 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 20, 2015.

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

We applied certain limited procedures to the Management Discussion and Analysis; Budgetary Comparison Schedule - General Fund; Budgetary Comparison Schedule - Road and Bridge Fund; and the Schedule of Funding Progress for the Retirement Plan, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Combining Balance Sheet - Nonmajor Governmental Funds; Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds; Combining Statement of Changes in Assets and Liabilities - All Agency Funds; Combining Statement of Net Position - Private Purpose Trust Funds; and Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Private Purpose Trust Funds, which accompany the financial statements but are not RSI. With respect to this supplementary information, 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 has not changed from the prior period, and the information is appropriate 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.

Restrictions on Use

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

Other Comments and Recommendations

Tax Assessor Collector Cash Shortage

In August of 2014, the County Auditor brought issues raising significant concerns and questions regarding the collections of taxes, payment of taxes, and reporting of tax collections to the attention of the County Commissioners and it was determined that a forensic consultant would be engaged. The forensic consultant found that the transaction recording and financial reporting processes of the Tax Assessor-Collector Office were seriously deficient. The forensic consultant determined that the net unfunded shortage due to all taxing entities (including Gillespie County) was \$89,528.27 and recommended a necessary update and overhaul of the Tax Assessor-Collector Office transactional processing system.

The forensic consultant was subsequently engaged to redesign procedures in the Tax Assessor-Collector's office and to provide processes for proper transition of all tax collection responsibilities to the Gillespie Central Appraisal District. This process is ongoing as of the date of this report.

We agree with the recommendations put forth by the forensic consultant in the report dated October 8, 2014.

District Clerk Monthly Reports

In the twelve month period from October 2013 to September 2014, two District Clerk monthly reports were filed with the County Auditor in the subsequent month, while the other ten were filed one or two months late. We recommend that the District Clerk file monthly reports timely as prescribed by Local Government Code Chapter 114.

Sincerely,


NEFFENDORF, KNOPP, DOSS & COMPANY, P.C.
Fredericksburg, Texas
March 20, 2015