
THOMAS R. RAMEY, CPA

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Communication of Reportable Conditions to Management

June 1, 2009

To the County Judge, Commissioner's Court, Internal Auditor and Treasurer
Of Trinity County, Texas
Groveton, Texas

Ladies and Gentlemen:

In planning and performing my audit of the financial statements of Trinity County, Texas for the year ended September 30, 2008, I considered its internal control in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control. However, I noted certain matters involving internal control and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control that, in my judgment, could adversely affect Trinity County, Texas's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

- 1) Positive improvements in implementing an automated docket system for the Justices of the Peace have been made during the year ended September 30, 2008. With the new automated system, minimum information required for GASB34 reporting was developed with assistance of the County Auditor's office. This includes the balance of outstanding case fees by year of charge, collections for the current year, fees for cases added for the year and fees for cases dismissed during the year. The outstanding balance reflected in totals at September 30, 2008 was \$912,144, an increase of \$430,902 from the manual system totals of \$481,242 at September 30, 2007. This increase may be due to improved accuracy of the amounts outstanding in the new system; however such a large increase should require more scrutiny than I performed in my annual audit. *I recommend the County Auditor scan the detail aged analysis of all accounts looking for obvious input errors. I also recommend that audit procedures be performed from time to time testing from the original source documents (i.e. tickets, cash receipts and deposit slips) to the docket system to determine accuracy in posting. The third recommendation is that monthly controls be established reconciling daily activity to the outstanding balance on the system. This would verify accuracy of input and provide an audit trail of the changes to the outstanding receivables.*
- 2) The County Treasurer serves as the County's investment officer and reports investments to the Commissioner's Court on a quarterly basis. The financial institution utilized by the County for deposits pledges collateral investments held at a third party bank to secure the County's deposits in excess of FDIC coverage. My audit indicated that this coverage is not verified on a consistent basis. *I recommend the Treasurer confirm collateral held in the County's name provided by the*

Communication of Reportable Conditions to Management – (Continued)

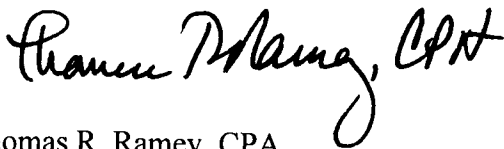
County's depository institution each quarter and include this information in her report to the Commissioners Court. The Treasurer should verify the collateral is adequate for deposits on hand at that date of confirmation.

- 3) Short-term borrowing and loan repayments are currently accounted for as revenues and expenses in the accounting records of the County. Generally accepted accounting principles state that these are liabilities to be repaid and are not revenues or expenses of the government. *I recommend these transactions recording short-term loans not be recorded as revenues and expenses on the accounting records of the County.*
- 4) The County occasionally holds funds in escrow until disposition is settled or until the appropriate beneficiary of these funds can be determined and the funds properly paid out. The County Treasurer presently maintains a County Escrow Account (Fund 12) and the District Clerk maintains an Escrow Account. These accounts have \$26,537 and \$17,185 in them at September 30, 2008. State law requires various unclaimed funds be forwarded to the State Comptroller's office after being unclaimed for various periods from one to fifteen years. Most unclaimed trusts funds have a period of three years. *I recommend that a detailed analysis of these funds be prepared by the Treasurer and District Clerk with details of the source and payee of each deposit held and be reviewed by the County Attorney with regards to the appropriate holding period. For funds held longer than the statute provides, I recommend these funds be forwarded as required to the State Comptroller's Office.*

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

My consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended solely for the information and use of the Commissioner's Court of Trinity County, management, and others within the administration and Federal or State Regulatory Agencies, and is not intended to be and should not be used by anyone other than these specified parties.



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Communication with Those Charged with Governance

June 1, 2009

To the Honorable Judge Mark Evans and
Members of the Commissioners Court of
Trinity County, Texas

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Trinity County, Texas for the year ended September 30, 2008, and have issued my report thereon dated June 1, 2009. Professional standards require that I provide you with the following information related to my audit.

My Responsibility under U.S. Generally Accepted Auditing Standards

As stated in my engagement letter dated November 14, 2008, my 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. My audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

I performed the audit according to the planned scope and timing previously communicated to you in my meeting about planning matters on December 18, 2008.

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 Trinity 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 2008, except the change in the minimum value of capital assets noted in the footnotes. I noted no transactions entered into by the governmental unit 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.

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 estimate(s) affecting the financial statements was (were):

Management's estimate of the allowance for uncollectible property taxes and the allowance for uncollectible fine collections are based on the age of the outstanding receivables and prior year's experience. I evaluated the key factors and assumptions used to develop the allowances for uncollectibles in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of Short-term and long-term debt in Note V to the financial statements as it reflects cash requirements for significant long-term debt which will be due in the 2009 fiscal year.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my 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.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated June 1, 2009.

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, my professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I 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 my professional relationship and my responses were not a condition to my retention.

This information is intended solely for the use of the Commissioners Court and management of Trinity County, Texas and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Thomas R. Ramey, CPA



**TRINITY COUNTY
AUDITORS OFFICE**

P. O. BOX 1030
GROVETON, TEXAS 75845

July 14, 2009

RE: Audit of financial statements for fiscal year ending 9-30-07

To Whom It May Concern:

I am writing in response to the Communication of Reportable Conditions to Management dated June 1, 2009, from Thomas R. Ramey CPA.

Response to findings 1 & 3:

1. As noted an automated docket system has been implemented in each of the 4 Justice of the Peace offices. At my request the software vendor wrote a report that gives a detail analysis of the aged accounts. The review of this report will be a part of my regular monthly review and will be audited in detail as time permits.

3. Short-term loans will not be recorded as revenues and expenses in the future.

Response to findings 2 & 4:

Both of these findings are addressed to the County Treasurer's Office and will be monitored.

If you have any further questions concerning this matter please do not hesitate to contact me. Thank you for your assistance and service.

Sincerely,

A handwritten signature in cursive script that reads "Sheila K. Johnson".

Sheila K. Johnson
Trinity County Auditor