
THOMAS R. RAMEY, CPA

Certified Public Accountant

346 Prospect Dr. • P.O. Box 666
Trinity, Texas 75862
(936) 594-6488 • FAX (936) 594-7332
rameycpa@hughes.net



Communication of Reportable Conditions to Management

May 13, 2011

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, 2010, 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) When prior year accounting records are rolled forward in the current computer system beginning balances are established for the new year. The system allows additional entries to be made to the prior year and these additional entries are not accounted for in the new year's opening balances. In addition agreed upon audit adjustments booked to the prior year do not roll forward into the current year's opening balances. Accounting entries are provided to adjust these opening balances for the audit adjustments each year and a schedule is provided showing the correct opening balances for all accounts. Our audit indicated that the opening fund balances were incorrect which results in the interim monthly financial statement not having a correct beginning balance which results in incorrect information being provided to various officials and being provided to the Commissioners Court. *I recommend that all opening fund balances be reconciled to the prior years closing fund balances, and that any differences be corrected through journal entries so that all monthly interim accounting reports reflect the correct beginning balance.*
- 2) Long-term debt is not accounted for in the balance sheet of funds basis statements and new loans should be considered revenues and principle payments should be considered expenditures in the current year's operating statements. Long-term debt is generally recorded in the balance sheet portion of the general ledger with an offsetting account "Amount to be provided" to assist management is keeping up with the balances owing on the debt.

Short-term debt is accounted for differently and is not considered revenue for loans obtained or expenses for principle payments, and short-term debt is accounted for in the funds basis balance sheet. The County is inconsistent in recording of new debt and principle payments with note

Communication of Reportable Conditions to Management – (Continued)

balances not being properly reflected on the County's monthly financial statements. *I recommend that Generally Accepted Accounting Principles be followed in accounting for all debt issued and for note payments made.*

- 3) Records of fixed asset purchases, sales and deletions and inventory of the County's property, plant and equipment are maintained on an excel spread sheet. These records have improved over the last several years.

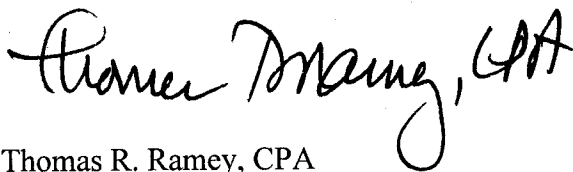
My audit indicated that these records are not reconciled to the County's general ledger system and its capital expenditure accounts. Asset additions were incomplete and the basis of new assets were not recorded.

I recommend that the records be reconciled to the general ledger capital improvement accounts on quarterly basis and that all additions and deletions be included. As noted in prior year audits, I still recommend the County purchase fixed asset accounting software which would aid in properly accounting for its fixed assets.

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.



Thomas R. Ramey, CPA