



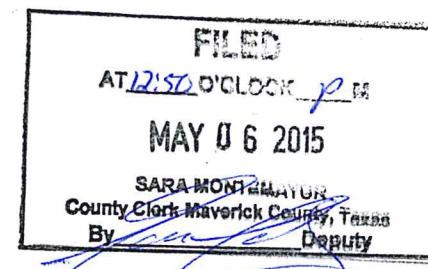
MARTINEZ, ROSARIO & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MAVERICK COUNTY SOLID WASTE AUTHORITY

FINANCIAL STATEMENTS

September 30, 2014



MAVERICK COUNTY SOLID WASTE AUTHORITY

TABLE OF CONTENTS

September 30, 2014

	<u>Page Number</u>
FINANCIAL SECTION	
Independent Auditors' Report.....	1 – 3
Management's Discussion and Analysis (Required Supplementary Information) (Unaudited)	4 – 9
<u>Basic Financial Statements</u>	
Statement of Net Position	10
Statement of Revenues, Expenses, and Changes in Net Position	11
Statement of Cash Flows	12 – 13
Notes to Financial Statements.....	14 – 25
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 <i>Government Auditing Standards</i>	26 – 27
Schedule of Findings and Responses	28 – 32
Summary Schedule of Prior Audit Findings	33 – 34

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, 2014, and the related notes to the financial statements, 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, 2014, and the respective changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Restatements

As discussed in Note 9 to the financial statements, the Solid Waste Authority's management made adjustments to correct errors discovered in the accounts which resulted in the misstatement of accounts payable. Accordingly, adjustments have been made to restate net position as of September 30, 2013. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Solid Waste Authority implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* during the current year. 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 April 21, 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* in considering the Solid Waste Authority's internal control over financial reporting and compliance.

Martinez, Rosario & Company, LLP

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

April 21, 2015

**Maverick County Solid Waste Authority
Management's Discussion and Analysis (MD&A) - Unaudited
For the Fiscal Year Ended September 30, 2014**

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, 2014. 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 \$6,280,327 as of September 30, 2014. This is primarily comprised of \$7,428,708 for net investment in capital assets and unrestricted net position of (\$1,148,381). The total net position of the Solid Waste Authority increased by \$862,637 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 \$1,907,226 in operating revenue. Operating expenses show \$1,332,128 which is a \$2,667,544 decrease over the prior year. The primary cause of the reduction is the \$1,236,236 recovery of closure and post-closure instead of an expense of \$1,077,177 in the prior period. These decreases reflect the fourth year operating the landfill. Overall, the change in net position is a decrease of \$464,407 over the prior year.

The Statement of Cash Flows shows a decrease of \$579,305 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 2014 by \$862,637. The increase in total net position, as reflected below, is comprised of the current year change of \$862,637 less the \$212,699 in prior period adjustments.

Solid Waste Authority Net Position

	Fiscal Year		Difference Increase (Decrease)
	2014	2013	
Current and Other Assets			
Capital Assets, Net	\$ 1,537,767	\$ 2,124,402	\$ (586,635)
	<u>8,127,737</u>	<u>8,249,196</u>	<u>(121,459)</u>
Total Assets	\$ 9,665,504	\$ 10,373,598	\$ (708,094)
Current Liabilities	\$ 737,720	\$ 612,264	\$ 125,456
Noncurrent Liabilities	<u>2,647,456</u>	<u>4,130,945</u>	<u>(1,483,489)</u>
Total Liabilities	<u>3,385,176</u>	<u>4,743,209</u>	<u>(1,358,033)</u>
Net Investment in Capital Assets	7,428,708	7,370,378	58,330
Restricted Net Position	-	51,526	(51,526)
Unrestricted Net Position	<u>(1,148,381)</u>	<u>(1,791,515)</u>	<u>643,134</u>
Total Net Position	\$ <u>6,280,327</u>	\$ <u>5,630,389</u>	\$ <u>649,938</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, 2014, compared to the prior fiscal year:

Change in Net Position

	Fiscal Year		Difference
	2014	2013	Increase (Decrease)
<u>Operating Revenues</u>			
Tipping Fees	\$ 1,887,682	\$ 2,117,709	\$ (230,027)
Other Revenue	<u>19,544</u>	<u>4,706</u>	<u>14,838</u>
Total Operating Revenues	1,907,226	2,122,415	(215,189)
<u>Operating Expenses</u>			
Operations & Administration	<u>1,332,128</u>	<u>3,999,672</u>	<u>(2,667,544)</u>
Total Operating Expenses	1,332,128	3,999,672	(2,667,544)
Operating Income (Loss)	575,098	(1,877,257)	2,452,355
<u>Non-Operating Revenue/(Expenses)</u>			
Investment Earnings	459	154	305
Interest Expense - Non-Operating	<u>(24,867)</u>	<u>(34,930)</u>	<u>10,063</u>
Total Non-Operating Revenue (Expenses)	(24,408)	(34,776)	10,368
Income (Loss) Before Transfers	550,690	(1,912,033)	2,462,723
Transfers In From County	2,542,577	5,321,573	(2,778,996)
Transfers Out To County	<u>(2,230,630)</u>	<u>(2,082,496)</u>	<u>(148,134)</u>
Change in Net Position	862,637	1,327,044	(464,407)
Total Net Position, Beginning of Year	5,630,389	4,303,345	1,327,044
Prior Period Adjustments	<u>(212,699)</u>	<u>-</u>	<u>(212,699)</u>
Total Net Position, End of Year	<u>\$ 6,280,327</u>	<u>\$ 5,630,389</u>	<u>\$ 649,938</u>

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, 2014, amounts to \$8,127,737 (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, landfill, Cell One and Cell Two. The following schedule shows the Solid Waste Authority's capital assets at year end.

Solid Waste Authority Capital Assets at Year End

	2014	2013
Land	\$ 308,919	\$ 308,919
Construction in Progress	-	2,298,997
Building	502,395	502,395
Vehicles and Equipment	2,635,845	2,595,845
Landfill Infrastructure	1,935,484	1,935,484
Landfill Cells One and Two	5,504,756	2,550,092
Landfill Permitting	<u>2,175,360</u>	<u>2,175,360</u>
	13,062,759	12,367,092
Less Accumulated Depreciation	<u>(4,935,022)</u>	<u>(4,117,895)</u>
Total Capital Assets	<u>\$ 8,127,737</u>	<u>\$ 8,249,197</u>

There were several changes in capital assets as of September 30, 2014, when compared to the prior year. The most significant change was the construction in progress for Cell 2. See Note 3 for more information.

Debt

The Solid Waste Authority has three capital leases and a note payable. See Note 4 and 8 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 April 21, 2015, which is the date the financial statements were available to be issued. As of April 21, 2015, the subsequent events related to 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:

Mike Castillo
Landfill Manager
Maverick County
PO Box 10
El Indio, TX 78860

No. (830) 757-8191
Fax (830) 757-6867
County email: mikecastillo@co.maverick.tx.us
County website: www.co.maverick.tx.us

MAVERICK COUNTY SOLID WASTE AUTHORITY
 STATEMENT OF NET POSITION
 As of September 30, 2014

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 1,212,944
Short-Term Investments	51,985
Accounts Receivable, Net	<u>272,838</u>
Total Current Assets	1,537,767

Total Current Assets

Noncurrent Assets:

Capital Assets	
Land	308,919
Construction in Progress	-
Building	502,395
Vehicles and Equipment	2,635,845
Landfill Infrastructure	1,935,484
Landfill Cells One and Two	5,504,756
Landfill Permitting	2,175,360
Accumulated Depreciation	<u>(4,935,022)</u>
Total Noncurrent Assets	8,127,737

TOTAL ASSETS

\$ 9,665,504

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$ 296,212
Accrued Payroll and Related Liabilities	32,060
Accrued Compensated Absences	4,260
Current Portion of Compromise and Settlement Agreement Note Payable	96,336
Due to County	144,978
Capital Lease Payable	<u>163,874</u>
Total Current Liabilities	737,720

NonCurrent Liabilities:

Capital Lease Payable	535,155
Accrued Compensated Absences	38,342
Compromise and Settlement Agreement Note Payable	481,682
Accrued Landfill Closure and Postclosure Care Costs	<u>1,592,277</u>
Total NonCurrent Liabilities	2,647,456

Total Liabilities

3,385,176

NET POSITION

Net Investment in Capital Assets	7,428,708
Restricted Net Position	-
Unrestricted Net Position	<u>(1,148,381)</u>
TOTAL NET POSITION	\$ 6,280,327

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, 2014

OPERATING REVENUES	
Tipping Fees	\$ 1,887,682
Other Revenue	<u>19,544</u>
TOTAL OPERATING REVENUES	<u>1,907,226</u>
OPERATING EXPENSES	
Personnel Services	780,825
Purchased Professional & Technical Services	228,008
Supplies	25,180
Regulatory Fees	102,233
Other Operating Expenses	614,991
Closure and Postclosure Care Costs (Recovery)	(1,236,236)
Depreciation	<u>817,127</u>
TOTAL OPERATING EXPENSES	<u>1,332,128</u>
OPERATING INCOME	<u>575,098</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest Expense	(24,867)
Investment Earnings	<u>459</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(24,408)</u>
Income Before Transfers	550,690
Transfers In From County	2,542,577
Transfers Out To County	<u>(2,230,630)</u>
CHANGE IN NET POSITION	<u>862,637</u>
TOTAL NET POSITION - OCTOBER 1 (BEGINNING)	5,630,389
PRIOR PERIOD ADJUSTMENTS	<u>(212,699)</u>
TOTAL NET POSITION - SEPTEMBER 30 (ENDING)	<u>\$ 6,280,327</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, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Customers	\$ 1,818,679
Cash Paid to Employees	(757,784)
Cash Paid to Suppliers and Contractors	<u>(1,000,630)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES

60,265

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

Advances from County Funds	23,416
Transfers In	2,542,577
Transfers Out	<u>(2,230,630)</u>

NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES

335,363

CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES:

Acquisition of Capital Assets	(770,280)
Principal Paid on Capital Leases	(179,786)
Interest Paid on Capital Leases	<u>(24,867)</u>

NET CASH USED FOR CAPITAL & RELATED FINANCING ACTIVITIES

(974,933)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest Received on CD	459
Reinvestment into CD	<u>(459)</u>

NET CASH USED FOR INVESTING ACTIVITIES

-

NET DECREASE IN CASH AND CASH EQUIVALENTS

(579,305)

**CASH AND CASH EQUIVALENTS AT THE BEGINNING
 OF THE YEAR:**

1,792,249

CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

\$ 1,212,944

MAVERICK COUNTY SOLID WASTE AUTHORITY
STATEMENT OF CASH FLOWS - Continued
For the Year Ended September 30, 2014

**RECONCILIATION OF OPERATING LOSS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES:**

Operating Income:	\$ 575,098
-------------------	------------

**ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES:**

Depreciation	817,127
Amortization of Compromise and Settlement Agreement Note Payable	(96,336)
Effect of Increases and Decreases in Operating Assets and Liabilities:	
Decrease in Receivables	7,789
Decrease in Accounts Payable	(30,217)
Increase in Compensated Absences	14,398
Increase in Wages and Salaries Payable	8,643
Decrease in Closure and Postclosure Care Costs	<u>(1,236,237)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 60,265

**SUPPLEMENTAL DISCLOSURE OF OPERATING ACTIVITIES AND NONCASH
FINANCING ACTIVITIES:**

Solid Waste Usage Provided at No Cost to Maverick County (\$29,856) and Maverick County Road and Bridge (\$194,860)	\$ <u>224,716</u>
--	-------------------

RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS:

Cash and Cash Equivalents	<u>\$ 1,212,944</u>
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ <u>1,212,944</u>

MAVERICK COUNTY SOLID WASTE AUTHORITY

INDEX FOR THE NOTES TO FINANCIAL STATEMENTS

	<u>PAGE</u>
NOTE 1: Summary of Significant Accounting Policies	14 – 19
NOTE 2: Deposits and Investments	19 – 20
NOTE 3: Capital Assets	20
NOTE 4: Capital Leases	21
NOTE 5: Solid Waste Landfill Closure and Postclosure Care Costs	22 – 23
NOTE 6: Risk Management	23
NOTE 7: Interlocal Governmental Agreement	23 – 24
NOTE 8: Compromise and Settlement Agreement Note Payable	24
NOTE 9: Prior Period Restatements	25
NOTE 10: Subsequent Events	25

MAVERICK COUNTY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

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, 2014

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, 2014

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. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Additionally, this Statement provides reporting guidance related to deferred outflows of resources and deferred inflows of resources. The Solid Waste Authority implemented this Statement in fiscal year 2014 and had no effect to the Solid Waste Authority.

GASB Statement No. 66, Technical Corrections – 2012 (*an amendment of GASB Statements No. 10 and No. 62*), improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance*. This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type.

MAVERICK COUNTY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – Continued
For the Year Ended September 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments, (2) investments of purchased loan or group of loans, and (3) service fees related to mortgage loans. These changes clarify how to apply GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The Solid Waste Authority implemented this Statement in fiscal year 2014 and had no effect to the Solid Waste Authority.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, establishes accounting and financial reporting standards for situations where a state or local government, as a guarantor, agrees to indemnify a third-party obligation holder under specified conditions. The issuer of the guaranteed obligation can be legally separate entity or individual, including a blended or discretely presented component unit. Guidance is provided for situations where a state or local government extends or receives a nonexchange financial guarantee. The requirements of this Statement are effective for financial statements for periods beginning after June 30, 2013. The Solid Waste Authority implemented this Statement in fiscal year 2014 and had no effect to the Solid Waste Authority.

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 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.

MAVERICK COUNTY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – Continued
For the Year Ended September 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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. Cells One and Two are being depreciated using usage capacity.

MAVERICK COUNTY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – Continued
For the Year Ended September 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Interest & Transfers

Interest Income

Total interest income is \$459.

Transfers

The County transferred \$2,542,577 in sales tax and proceeds from financing collected during the year. Solid Waste Authority transferred to the County \$1,400,000 in regular transfers in accordance with the interlocal governmental agreement discussed in Note 7, \$660,000 for Cell One related debt, and \$247,700 for Cell Two related debt; however, this amount was reduced by \$77,062 that was capitalized for a total net transfers out of \$2,230,630.

NOTE 2: DEPOSITS AND INVESTMENTS

As of September 30, 2014, the Solid Waste Authority had a certificate of deposit (CD) totaling \$51,985. This CD was issued on April 5, 2013 and renewed in April 2014.

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, 2014, the Solid Waste Authority had cash and cash equivalents totaling \$1,212,944

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.

MAVERICK COUNTY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – Continued
For the Year Ended September 30, 2014

NOTE 2: DEPOSITS AND INVESTMENTS - Continued

The Solid Waste Authority is unable to determine if they are exposed to custodial risk for its deposits as they were unable to determine if they had sufficient coverage of depository insurance and collateral coverage.

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014 was as follows:

	<u>Beginning Balance 9/30/13</u>			<u>Ending Balance 9/30/14</u>
		<u>Additions</u>	<u>Decreases</u>	
Capital Assets, not being depreciated:				
Land	\$ 308,919	\$ -	\$ -	\$ 308,919
Construction in Progress	<u>2,298,997</u>	<u>655,667</u>	<u>(2,954,664)</u>	<u>-</u>
Total Capital Assets Not Being Depreciated	2,607,916	655,667	(2,954,664)	308,919
Capital Assets, being depreciated:				
Building	502,395	-	-	502,395
Vehicles and Equipment	2,595,845	40,000	-	2,635,845
Infrastructure	1,935,484	-	-	1,935,484
Cell One	2,550,092	-	-	2,550,092
Cell Two	-	2,954,664	-	2,954,664
Permitting	<u>2,175,360</u>	<u>-</u>	<u>-</u>	<u>2,175,360</u>
Total Capital Assets being depreciated	9,759,176	2,994,664	-	12,753,840
Less Accumulated Depreciation:	<u>4,117,895</u>	<u>817,127</u>	<u>-</u>	<u>4,935,022</u>
Total Capital Assets Being Depreciated, Net	<u>5,641,281</u>	<u>2,177,537</u>	<u>-</u>	<u>7,818,818</u>
TOTAL CAPITAL ASSETS, NET	\$ 8,249,197	\$ 2,833,204	\$ (2,954,664)	\$ 8,127,737

The Solid Waste Authority had \$77,062 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, 2014

NOTE 4: CAPITAL LEASES

The Solid Waste Authority entered into two lease purchase agreements for the acquisition of machinery and equipment. Lease principal payments for the fiscal year ended September 30, 2014, totaled \$179,786. The effective interest rate is 3.5% for the first lease and 3.2% for the second lease. Total cost of the assets acquired under these two capital leases is \$1,000,955 with accumulated depreciation of \$330,621.

At September 30, 2014, 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
2015	\$ 183,575
2016	183,575
2017	183,575
2018	183,576
2019	<u>10,940</u>
Future Minimum Lease Payments	745,241
Less: Interest	<u>(46,212)</u>
Present Value of Future Minimum Lease Payments	699,029
Less: Current Portion	<u>(163,874)</u>
Capital Lease, Net of Current Portion	<u>\$ 535,155</u>

MAVERICK COUNTY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – Continued
For the Year Ended September 30, 2014

NOTE 5: SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The Solid Waste Authority at year-end operated one active cell and one inactive 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. The Solid Waste Authority accounts for and discloses closure and postclosure care costs in accordance with GASB Statement No. 18 *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Cost* (the “Statement”). The Statement requires, among other matters: (1) that the liability for closure and postclosure care costs be estimated based on applicable federal, state or local regulations that were in existence as of the date of the Statements of Net Position (2) that the cost estimates be reevaluated and adjusted on an annual basis for changes due to inflation or deflation, or for changes due to advancements in technology (3) that a portion of these estimated closure and postclosure costs be recognized in each operating period that the landfill is active, based on the amount of waste received during the period (included in the capacity used to date), even though the majority of the costs will not be paid until after the landfill cells are closed, and (4) that changes in the estimated costs for closure and postclosure care which will occur after the landfill stops accepting waste be recognized entirely in the period of the change.

In addition to operating expenses related to current activities of the landfill, an expense (recovery) 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 \$1,592,277 reported as accrued landfill closure and post closure care costs at September 30, 2014, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of Cell 1 and 16% of the estimated capacity of the Cell 2. The current reduction recognized in this fiscal year of \$(1,236,236) is due to a change in estimate. The Solid Waste Authority’s Cell 2 has more than doubled the capacity of the landfill. The Solid Waste Authority will recognize the remaining estimated cost of closure and post closure care of \$2,046,574 as the remaining estimated capacity is filled. The Solid Waste Authority estimates the useful life as of September 30, 2014, to be approximately 6 years. 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, 2014. 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

**MAVERICK COUNTY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – Continued
For the Year Ended September 30, 2014**

NOTE 5: SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS - Continued

charges are based on a study conducted by SCS Engineers and presented in a report dated December 17, 2014.

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 an Insurance Performance Bond effective on May 1, 2014 in the amount of \$3,638,851.

NOTE 6: 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 7: 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

MAVERICK COUNTY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – Continued
For the Year Ended September 30, 2014

NOTE 7: INTERLOCAL GOVERNMENTAL AGREEMENT - Continued

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.

NOTE 8: 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.

MAVERICK COUNTY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – Continued
For the Year Ended September 30, 2014

NOTE 9: PRIOR PERIOD RESTATEMENTS

In the prior year, accounts payable were understated which resulted in a prior period adjustments. The effect of these restatements was a decrease of \$212,699 in total net position.

	<u>Amount</u>
Net Position, As Previously Reported at September 30, 2013	\$ 5,630,389
Understatement of Accounts Payable	<u>(212,699)</u>
Total Prior Period Restatements	<u>(212,699)</u>
Net Position, As Restated at September 30, 2013	<u>\$ 5,417,690</u>

NOTE 10: SUBSEQUENT EVENTS

Subsequent events were evaluated by the management office of the County and the Solid Waste Authority through April 21, 2015, which is the date the financial statements were available to be issued. As of April 21, 2015, the following subsequent events discussed below were deemed to be necessary disclosures.

- 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. In late February 2015, he was sentenced to 65 months in federal prison followed by 3 years of supervised release. The former Assistant County Auditor was sentenced to nine years in federal prison followed by 3 years of supervised release. Former Precinct 1 Commissioner was sentenced to 10 years in federal prison followed by 3 years of supervised release. Former Precinct 2 Commissioner was also sentenced to 10 year in federal prison followed by 3 years of supervised release. Former Precinct 4 Commissioner was sentenced to 10 years in federal prison followed by 3 years of supervised release.
- The current County Commissioner for Precinct 3 was arrested in February 2015 and charged with four counts of receiving bribes.

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 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, 2014, and the related notes to the financial statements, which collectively comprise the Solid Waste Authority's basic financial statements and have issued our report thereon dated April 21, 2015. The report contained two emphases of matter paragraphs, one regarding a prior period restatements and the other a change in accounting principle.

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 not 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 as Findings 2014-01 and 2014-02.

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 Findings 2014-01 and 2014-02.

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

April 21, 2015

MAVERICK COUNTY SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended September 30, 2014

INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS

Finding 2014-01

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.

In our testing, we noted the following:

- Solid Waste Authority had not properly recorded the Closure and Post Closure recovery adjustment of \$1,236,236 for the change in liability estimates. In accordance with GASB No. 18, adjustments to prior period estimates should be recorded in current year expenses (revenues), rather than as a prior period adjustment.
- The Solid Waste Authority had not properly recorded a prior period liability to the City of Eagle Pass, TX (the City) in the amount of \$163,227. In addition, the Solid Waste Authority had not recorded a current year estimated liability to the City in the amount of \$74,479.
- The Solid Waste Authority materially misstated depreciation expense for Cell One by \$174,934 and \$244,978 for Cell Two.
- The Solid Waste Authority had not recorded an adjustment to capitalize \$77,062 in interest costs associated with the construction of Cell Two.
- The Solid Waste Authority had not correctly recorded electronic cash transfers in on a timely basis. We noted that transfers in totaling \$1,133,370 for the months between October 2013 and February 2014 were not recorded in the correct general ledger account until February 2014. The County Auditor stated that these posting errors for five months were as a result of postings originating in the County Treasurer's Office; however, the County Auditor, in its role as the fiscal agent for the Solid Waste Authority, is responsible for the timely maintenance of the general ledger accounts.

MAVERICK COUNTY SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES – Continued
For the Year Ended September 30, 2014

INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS - Continued

Finding 2014-01 – Continued

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.

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.

Effect:

1. **Inadequate Controls over the Financial Reporting Process** – Financial statements amounts were materially 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.

As noted in Condition and Context, material adjustments were necessary to properly record Closure and Post Closure recovery, capitalized interest expense, depreciation and accounts payable. In addition, the accurate reporting of due to County balances, as well as transfers out to the County, was not performed timely.

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.

Also, there is not an effective process to prepare, review for accuracy and record journal entries in a timely manner.

MAVERICK COUNTY SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES – Continued
For the Year Ended September 30, 2014

INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS - Continued

Finding 2014-01 – Continued

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 prepared on a timely basis, complete, accurate, properly supported and approved prior to posting in the general ledger.

Management response:

- 1. Inadequate Controls over the Financial Reporting Process:** As discussed in the Solid Waste Authority Board of Directors meeting held on April 21, 2015, management concurs with the above findings.

In addition, management has tested the internet signal and were able to install STW, the accounting software, at the landfill site with a good signal. Training will be provided to the employees so they will be able to use the system.

MAVERICK COUNTY SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES – Continued
For the Year Ended September 30, 2014

INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS - Continued

Public Funds Investment
Finding 2014-02

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.

**MAVERICK COUNTY SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES – Continued
For the Year Ended September 30, 2014**

INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS - Continued

Finding 2014-02 – Continued

Management response:

In order to comply with Government Code, Title 10, Subtitle F, Chapter 2256 Sec. 2256.005. Investment Policies; Investment Strategies, Investment Officer, Mr. Rolando Jasso was designated by the board as the Investment Officer. Also an investment policy has been presented and adopted by the board effective April 8, 2015.

MAVERICK COUNTY SOLID WASTE AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2014

INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS

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.

Status: Part 1 of this finding was repeated in the current year as Finding 2014-01. Parts 2 and 3 were cleared in the current year.

MAVERICK COUNTY SOLID WASTE AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - Continued
For the Year Ended September 30, 2014

INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS - Continued

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.
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 as Finding 2014-02.