



## Travis County Commissioners Court Agenda Request

**Meeting Date:** March 6, 2012

**Prepared By/Phone Number:** Nicki Riley, Auditor's Office, 854-9125

**Elected/Appointed Official/Dept. Head:** Susan Spataro, Travis County Auditor

**Commissioners Court Sponsor:** Samuel T. Biscoe, County Judge

**AGENDA LANGUAGE:** Consider and take appropriate action on Management Representation Letter to be provided to Atchley & Associates, LLP regarding the fiscal year 2011 County-wide annual financial audit.

**BACKGROUND/SUMMARY OF REQUEST AND ATTACHMENTS:** A Management Representation Letter is required by accounting standards for each year's external financial statement audit. Once Commissioners Court approves of the language, hard copies will be provided.

**STAFF RECOMMENDATIONS:** N/A

**ISSUES AND OPPORTUNITIES:** N/A

**FISCAL IMPACT AND SOURCE OF FUNDING:** N/A

**REQUIRED AUTHORIZATIONS:** N/A

AGENDA REQUEST DEADLINE: All agenda requests and supporting materials must be submitted as a pdf to Cheryl Aker in the County Judge's office, [Cheryl.Aker@co.travis.tx.us](mailto:Cheryl.Aker@co.travis.tx.us) by Tuesdays at 5:00 p.m. for the next week's meeting.

TRAVIS COUNTY  
AUDITOR'S OFFICE

SUSAN A. SPATARO, CPA, CMA  
COUNTY AUDITOR



TRAVIS COUNTY  
ADMINISTRATION BUILDING  
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February 24, 2012

Atchley & Associates, LLP  
6850 Austin Center Blvd, Suite 180  
Austin, Texas 78731

We are providing this letter in connection with your audit of the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Travis County (the "County" or the "primary government"), as of and for the year ended September 30, 2011, which collectively comprise the County's basic financial statements for the purpose of expressing an opinion as to whether the basic financial statements present fairly, in all material respects, the financial position, results of operations or changes in fund balances or net assets, and cash flows of the County in conformity with accounting practices prescribed in Chapter 2266, Texas Government Code ("Chapter 2266"), Financial Accounting and Reporting (the "Statutory Basis").

We confirm that we are responsible for the following:

- a. The fair presentation, in the basic financial statements, of the financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information, in conformity with the Statutory Basis, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America ("GAAP").
- b. With regards to the inclusion of the financial results of the Travis County Healthcare District ("Central Health") which is presented as a discretely presented component unit, we have relied on the financial statements audited by the accounting firm of Maxwell, Locke & Ritter ("ML&R") and the representation letter that ML&R received from Central

Health's President and CEO, Patricia Young-Brown, relating to that audit as the basis for accepting the results for inclusion into the County's Basic Financial Statements. (See attached representation letter.) We have used these audited financial statements as the source for the financial results that are included in the County's Basic Financial Statements and have not independently verified that information or its conformance with GAAP.

- c. The fair presentation of the required supplementary information, including Management's Discussion and Analysis, and additional supplemental schedules accompanying the basic financial statements that are presented for the purpose of additional analysis of the basic financial statements.
- d. The design and implementation of programs and controls to prevent and detect fraud, including fraud related to federal and state awards.
- e. Establishing and maintaining effective internal control over financial reporting.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

1. The basic financial statements referred to above are fairly presented in conformity with the Statutory Basis, a comprehensive basis of accounting other than GAAP. The only departure from GAAP as a result of applying the Statutory Basis is the accounting and reporting of other post-employment benefits ("OPEB"). Following GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, would have materially misrepresented the actions of the Commissioners' Court and consequently would have produced financial statements that were materially misleading.

2. With regards to the inclusion of the financial results of Central Health which is presented as a discretely presented component unit, we have relied on the financial statements audited by the accounting firm of Maxwell, Locke & Ritter (“ML&R”) and the representation letter that ML&R received from Central Health’s President and CEO, Patricia Young-Brown, relating to that audit as the basis for accepting the results for inclusion into the County’s Basic Financial Statements. (See attached representation letter.) We have used these audited financial statements as the source for the financial results that are included in the County’s Basic Financial Statements and have not independently verified that information or its conformance with GAAP.
3. In addition:
  - a. The financial statements include all material component units and properly disclose all other material related organizations.
  - b. In all material respects, the financial statements properly classify all funds and activities, including special items.

GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, clarified the application of existing standards as it relates to the types of liabilities that should be reported as governmental fund liabilities and expenditures. As it relates to compensated absences leave, those benefits that are expected to be liquidated with current expendable resources have been reported, to the extent they have matured, as a liability and expenditure, with the remainder being reported as a portion of the fund balance designated for disbursement of near-term compensated absence benefits in the respective governmental funds. On the government-wide financial statements, all incurred liabilities, both the above-stated current portion and the non-current portion, have been reported as a liability and expense.

- c. All funds that meet the quantitative criteria in GASB Statement No. 34 and Statement No. 37, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

- d. In all material respects, net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) are properly classified and, if applicable, approved. In addition, fund balance components (nonspendable, restricted, committed, assigned, and unassigned) have been properly classified in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and, if applicable, approved.
- e. In all material respects, expenses have been appropriately classified in or allocated to functions and programs in the Statement of Activities, and allocations have been made on a reasonable basis.
- f. Over the past several years, the GASB has made changes as to the classification of revenues between program and general revenue. Therefore, to the best of our knowledge, in all material respects, revenues are appropriately classified in the Statement of Activities within program revenues or general revenues.
- g. In all material respects, interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- h. In all material respects, deposits and investment securities are properly classified in category of credit risk as defined by the GASB Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3)*.
- i. In all material respects, capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
- j. In all material respects, required supplementary information is measured and presented within prescribed guidelines.
- k. Applicable laws and regulations are followed in adopting, approving and amending budgets.
- l. Costs to federal and state awards have been charged in accordance with applicable cost principles.

*For all items below, with regards to Central Health's financial statements, please refer to the representation in No. 2 above.*

4. The County has made available to you all:
  - a. Summaries of actions of the Commissioners' Court.
  - b. Financial records and related data for all financial transactions of the County and for all funds administered by the County. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by the County and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.
  - c. Relevant OPEB related documents.
  - d. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal and state agencies that could have a material effect on the financial statements.
5. There has been no:
  - a. Action taken by County management that contravenes the provisions of federal laws and State of Texas laws and regulations, or of contracts and grants applicable to the County.
  - b. Communication from other governmental or regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.
6. We have no knowledge of any fraud or suspected fraud affecting the County involving (1) management, (2) employees who have significant roles in internal control over financial reporting, or (3) others where the fraud could have a material effect on the financial statements that have not been provided to you and to the District Attorney's Office.
7. The County has made available to you the results of management's assessment of fee collecting offices/departments subject to its internal examinations; such assessment includes an assessment of the risk of fraud.

8. We have no knowledge of any allegations of fraud or suspected fraud affecting the County received in communications from employees, former employees, analysts, regulators, short sellers, or others that have not been provided to you and to the District Attorney's Office.
9. There are no material unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with FASB Accounting Standards Codification 450, *Contingencies* (FAS-5, *Accounting for Contingencies*) except as disclosed in the financial statements.
10. The Schedule of Expenditures of Federal and State Awards was prepared in accordance with the requirements of OMB Circular A-133 section 310.b, "Audits of States, Local Governments, and Non-Profit Organizations" and the State of Texas Governor's Office of Budget and Planning "Uniform Grant Management Standards." We have identified in that schedule all awards provided by federal and state agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, or direct appropriations. We further acknowledge that the methods of measurement or presentation have not changed from those used in the prior period or, if the methods of measurement have changed, we have provided you with the reason for such changes. We are responsible for understanding and complying with the compliance requirements related to the preparation of the schedule.
11. We are responsible for compliance with local, state and federal laws, rules and regulations, and provisions of grants and contracts relating to the County's operations. We are responsible for establishing and maintaining the components of internal control relating to our activities in order to achieve the objectives of providing reliable financial reports, effective and efficient operations, and compliance with laws and regulations. The County is responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.
12. We have:
  - a. Identified the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each federal and state program as

identified in Part 3 of the OMB Circular A-133 Compliance Supplement that is applicable to this fiscal year.

- b. Complied, in all material respects, with the requirements identified above in connection with federal and state awards except as disclosed in the Schedule of Findings and Questioned Costs, if any.
- c. Made available all information related to federal and state financial reports and claims for advances and reimbursements. Federal and state financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared and are prepared in all material respects on a basis consistent with that presented in the Schedule of Expenditures of Federal and State Awards. The copies of federal or state program financial reports provided are true copies of the reports submitted, or electronically transmitted, to the federal or state agency or pass-through entity, as applicable.
- d. We are not aware of any interpretations of any compliance requirements that have varying interpretations. If there are any, we will identify and disclose them to you.
- e. Monitored subrecipients through desk reviews and on-site visits to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and to the best of our knowledge, have met the requirements of Circular A-133.
- f. During FY 2011, for those subrecipients that receive grant awards from Travis County, we have requested the Single Audit Report and audited financial statements. We received responses from all ten subrecipients and have reviewed reports for audit findings to identify comments specific to Travis County grant programs. Based on our review of the Single Audit Reports submitted by the subrecipients, there were no audit findings specific to Travis County grant programs; however, some do not specifically identify Travis County. Had there been any audit findings specific to Travis County, we would have taken appropriate corrective action on a timely basis after receipt of a subrecipient's auditor's report that



- identifies noncompliance with laws, regulations, or the provisions of contracts or grant agreements.
- g. Considered the results of the subrecipient's audits and made any necessary adjustments to the auditee's own books and records.
  - h. Identified and disclosed all amounts questioned and any known noncompliance with the requirements of federal and state awards, including the results of other audits or program reviews related to programs subject to the objective of the audit.
  - i. For the reports that the Auditor's Office has received, identified known previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit and the corrective actions taken to address significant findings and recommendations, including the status of follow-up on prior audit findings and information about all management decisions made by federal awarding agencies and pass-through entities.
  - j. For the reports that the Auditor's Office has received, provided to you on the reported findings, conclusions, recommendations and County's responses for your report.
13. We are responsible for follow-up on all prior-year Single Audit findings. We have prepared a summary schedule of prior-year findings in accordance with Circular A-133 reporting the implementation by the applicable County offices/departments of the prior-year's corrective action plan.
14. If there are any current-year Single Audit findings, we will include in the corrective action plan, the title of the person in our organization who is responsible for implementation of the actions, the best actions to be taken, and the estimate of a completion date. We will take timely and appropriate steps to remedy any fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse, should any of these be found to have occurred and be reported by you.
15. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.

16. To our knowledge, tax-exempt bonds issued have retained their tax-exempt status.
17. The County has adopted the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* ("GASB 39"), an amendment of GASB Statement No. 14, *The Financial Reporting Entity*. As of September 30, 2011, we believe, based on the significance and materiality of those organizations to the County that we have properly identified and reported as a component unit of the County each organization that meets the criteria established in GASB 39.

Except where otherwise stated below, matters less than \$100,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

18. We have disclosed to you any material change in the County's internal control over financial reporting that occurred during the County's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the County's internal control over financial reporting.
19. There are no known material transactions that have not been properly recorded in the accounting records underlying the financial statements.
20. The County has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
21. The following, to the extent applicable, have been appropriately identified and properly recorded and disclosed in the financial statements:
  - a. Related-party transactions and associated receivables or payables, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral).
  - b. Guarantees, whether written or oral, under which the County is contingently liable.
  - c. Interfund transactions, including repayment terms.

- d. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.
  - e. Financial instruments with significant individual or group concentration of credit risk.
  - f. All impaired loans receivable.
  - g. Loans that have been restructured to provide a reduction or deferral of interest or principal payments because of borrower financial difficulties.
  - h. Agreements to repurchase assets previously sold.
22. In preparing the financial statements in conformity with the Statutory Basis, management uses estimates. All estimates have been disclosed in the financial statements for which known information was available prior to the issuance of the financial statements indicating that both of the following criteria were met:
- a. It was at least reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements would change in the near term due to one or more future confirming events.
  - b. The effect of the change would be material to the financial statements.
23. Risks associated with concentrations of accounts receivable, based on information known to management, that meet all of the following criteria have been disclosed in the financial statements:
- a. The concentration exists at the date of the financial statements
  - b. The concentration makes the enterprise vulnerable to the risk of a near-term severe impact
  - c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.

24. There are no:
- a. Known violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
  - b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Accounting Standards Codification 450, *Contingencies* (FAS-5, *Accounting for Contingencies*) that have not been disclosed in Item 9.
25. The County has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral except for the debt service reserve.
26. We have no intention of terminating any of our pension plans or withdrawing from the multi-employer plan, or taking any other action that could result in an effective termination or reportable event for any of the plans. We are not aware of any occurrences that could result in the termination of any of our pension or multi-employer plans to which we contribute. We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances. We have reported in the Retirement Plan Note 11 information based on data furnished from TCDRS as of December 31, 2010.
27. We have reviewed the work of the actuarial service providers in evaluating the Self-Insurance Fund and the Employee Health Benefit Fund for the loss and claims reserve amounts and related disclosures ("IBNR") as of September 30, 2011.
- a. We did not give any instructions, nor cause any instructions to be given, to the actuarial service providers with respect to values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have impacted the independence or objectivity of the actuarial service providers that has not been provided to you.
  - b. The attached certification from the management that is responsible for the Self-Insurance Fund and for the Employee Health Benefit Fund states that they did consider the qualifications of the actuarial service providers in determining the loss and claims amounts and related disclosures.

28. The County has complied with all aspects of contractual agreements that would have an effect on the financial statements in the event of noncompliance.
29. Other than those disclosed in the notes to the financial statements, no events have occurred subsequent to September 30, 2011 that require consideration as adjustments to or disclosures in the financial statements.
30. Management has disclosed whether, subsequent to September 30, 2011, any changes in internal control or other factors that might significantly affect internal control over financial reporting, including any corrective action taken by management with regard to significant deficiencies and material weaknesses, have occurred.
31. The County is responsible for determining and maintaining the adequacy of the allowance for doubtful notes, loans, interfund receivables, and accounts receivable, as well as estimates used to determine such amounts. Management believes the allowances are adequate to absorb currently estimated bad debts in the account balances.
32. We are not aware of any significant inventories as of September 30, 2011. All inventories are considered property of the County.
33. There are no known control deficiencies in the design or operation of internal control over financial reporting that could adversely affect the County's ability to initiate, record, process, and report financial information.
34. No department or agency of the County has reported a material instance of noncompliance to us.
35. Management has disclosed all contracts or other agreements of the primary government with the County's service organizations.
36. We are not aware of any communications from the County's third-party service organizations of the primary government relating to noncompliance with the County's operations at those service organizations.
37. We have appropriately identified and properly recorded and disclosed in the financial statements all material interfunded transactions, including repayment terms.

38. The County has determined whether a capital asset has been impaired in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. In making this determination, the County considered the following factors:
- a. The magnitude of the decline in service utility is significant.
  - b. The decline in service utility is expected.
39. The County has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment of GASB Statement No. 53*. The County is therefore unable to disclose the impact that adopting these Statements will have on its financial position and results of operations when such Statements are adopted, if any.
40. The County has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and GASB Statement No. 59, *Financial Statements Omnibus* (collectively call the "Statements"). The County has determined there was no material impact on its financial position and results of operations when such Statements were adopted.
41. The County has determined that after review of GASB Statement No. 45 ("GASB 45") *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions* ("OPEB"):
- a. presentation of the OPEB provided by the County in the manner presently required under GASB 45 would be inconsistent with State financial laws and misrepresent the nature, scope, and duration of the financial activities of the County and would be contrary to Chapter 2266. Accordingly, with respect to the reporting of

OPEB, the County prepared financial statements in accordance with the Statutory Basis, a comprehensive basis of accounting other than GAAP.

- b. no promises of continuing retirement healthcare benefits beyond fiscal year 2012 have been made to employees by the Commissioners' Court. The Commissioners' Court, as the governing body of the County, approves Other Postemployment Benefits ("OPEB") on a year-to-year basis during the annual budget process and has not created a constitutionally valid obligation for OPEB beyond fiscal year 2012. The projected cost for the OPEB plan adopted for retirees for fiscal year 2012 is \$5,846,179 and has been reported as a liability as of September 30, 2011 to reflect the decision made by Commissioners' Court. We affirm that financial statements are a documentation of financial decisions made by the governing body during the reported fiscal year. As it relates to OPEB, nothing in this management representation letter or the Comprehensive Annual Financial Report ("CAFR") shall be construed as to create an obligation, guarantee a benefit or compensation, or limit the authority of the governing body to unilaterally change any policy or benefit at any time.
42. The County does not have derivative instruments as defined by GASB Technical Bulletin 2003-1, *Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets* (TB 03-1).
  43. We believe that all material expenditures that have been deferred to future periods are recoverable.
  44. With regard to the fair value measurements and disclosures of certain assets, liabilities, and specific components of equity, such as investments, we believe that in all material respects:
    - a. The measurement methods, including the related assumptions, used in determining fair value were appropriate and were consistently applied based on information available as of September 30, 2011.
    - b. The completeness and adequacy of the disclosures related to fair values are in conformity with the Statutory Basis of accounting.

- c. No events have occurred subsequent to September 30, 2011 that require adjustment to the fair value measurements and disclosures included in the financial statements.

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Samuel T. Biscoe  
County Judge

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Karen Huber  
County Commissioner,  
Precinct 3

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Ron Davis  
County Commissioner,  
Precinct 1

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Margaret Gomez  
County Commissioner,  
Precinct 4

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Sarah Eckhardt  
County Commissioner,  
Precinct 2

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Susan Spataro  
County Auditor



January 16, 2012

Maxwell Locke & Ritter LLP  
401 Congress Avenue, Suite 1100  
Austin, Texas 78701

We are providing this letter in connection with your audit of the financial statements of Travis County Healthcare District (doing business as and herein after referred to as “**Central Health**”) as of September 30, 2011, and for the year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the respective financial position of Central Health and the respective changes in financial position and cash flows thereof in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with U.S. generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

- 1) The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 2) We have made available to you all—
  - a) Financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
  - b) Minutes of the meetings of the Board of Managers or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 3) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 4) There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
- 5) We are in agreement with the adjusting journal entries you have proposed, and they have been posted.
- 6) We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.

Thomas B. Coopwood, M.D.  
*Chairman*

Rosie Mendoza, C.P.A.  
*Vice-Chairman*

Frank Rodriguez  
*Treasurer*

Brenda Coleman-Beggs, M.A.  
*Secretary*

Clarke Hendrick, J.D.

Anthony Haley, J.D.

Katrina Daniel, R.N.

Rebecca Lighsey

Lynne Hudson, R.N.-C., M.P.H.

- 7) We have no knowledge of any fraud or suspected fraud affecting the entity involving:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 8) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
- 9) We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective actions taken to address significant findings and recommendations.
- 10) Central Health has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 11) The following, if any, have been properly recorded or disclosed in the financial statements:
  - a) Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
  - b) Guarantees, whether written or oral, under which Central Health is contingently liable.
  - c) All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances, consistently applied, and adequately disclosed.
- 12) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 13) There are no—
  - a) Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

- b) Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, Accounting for Contingencies.
  - c) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5.
  - d) Reservations or designation of fund equity that were not properly authorized and approved.
- 14) As part of your audit, you prepared the draft financial statements and related notes. We have designated a competent management-level individual to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 15) Central Health has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 16) Central Health has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 17) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 18) The financial statements properly classify all funds and activities.
- 19) All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 20) Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
- 21) Provisions for uncollectible receivables have been properly identified and recorded.
- 22) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 23) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 24) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 25) Deposits and investment securities are properly classified as to risk, and investments are properly valued.
- 26) Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.

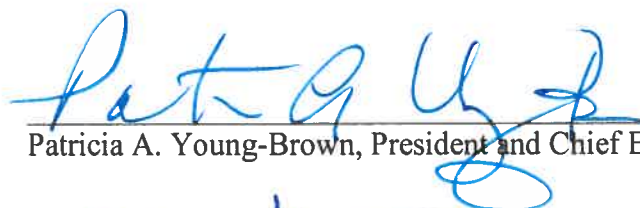
- 27) Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance sheet date and have been appropriately reduced to their estimated net realizable value.
- 28) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 29) With respect to the management's discussion and analysis section (the "MD&A"), we acknowledge our responsibility for presenting the MD&A in accordance with accounting principles generally accepted in the United States of America, and we believe the MD&A, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the MD&A have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- 30) With respect to federal award programs:
- a) We are responsible for understanding and complying with and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, including requirements relating to preparation of the schedule of expenditures of federal awards.
  - b) We have prepared the schedule of expenditures of federal awards in accordance with OMB Circular A-133, and have identified and disclosed in the schedule expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
  - c) We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 §310.b, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Circular. The methods of measurement and presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA.
  - d) We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133.
  - e) We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations,

and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.

- f) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in internal control over compliance or other factors to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to control deficiencies reported in the schedule of findings and questioned costs.
- g) We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- h) We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i) We have complied with the direct and material compliance requirements, including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the requirements of federal awards, including those resulting from other audits or program reviews.
- j) We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- k) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
- m) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

- n) We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- o) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- p) We have charged costs to federal awards in accordance with applicable cost principles.
- q) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- r) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- s) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133.

Other than those disclosed in Note 20 to the financial statements, no events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

  
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Patricia A. Young-Brown, President and Chief Executive Officer

  
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John Stephens, Chief Financial Officer

  
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Lee Kiser, Controller

**MANAGEMENT REPRESENTATION  
ACTUARIAL SERVICE PROVIDERS  
CERTIFICATION  
SELF-INSURANCE FUND and HEALTH BENEFIT FUND  
FY 2011**

We have reviewed the work of the actuarial service providers in evaluating Travis County's Self-Insurance Fund and Travis County's Employee Health Benefit Fund for the loss and claims reserve amounts and related disclosures associated with claims incurred but not yet reported as of September 30, 2011. We agree with the work of the actuarial service providers in evaluating the property, general, automobile, workers' compensation, and employee and retiree health liabilities and have adequately considered the qualifications of the actuarial service providers in determining amounts and disclosures used in the financial statements and underlying accounting records.

We did not give any instructions, nor cause any instructions to be given to the actuarial service providers with respect to values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have impacted the independence or objectivity of the actuarial service providers.



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Dan Mansour, Risk Manager  
Human Resources Management



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Diane Blankenship, Director  
Human Resources Management



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Leroy Nellis, Acting County Executive Manager  
Planning and Budget