



March 18, 2016

To the Honorable Judge,
And County Commissioners
Williamson County, Texas

We have audited the financial statements of Williamson County, Texas (the County) as of and for the year ended September 30, 2015, and have issued our report thereon dated March 18, 2016. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated October 14, 2015, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the County solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies over financial reporting and material noncompliance, and other matters noted during our audit in a separate letter to you dated March 18, 2016.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the County is included in Note 1 to the financial statements. As described in Note 3 to the financial statements, during the year ended September 30, 2015, the County changed accounting policies related to pension expense and liability recognition when it adopted GASB Statement No. 68, *Accounting and financial Reporting for Pensions, An Amendment of GASB Statement No. 27*. Previously, the net pension liability and pension expense were not recognized each year. However, in accordance with GASB 68, the pension liability and expense as well as a deferred outflow of resources for contributions made during the year but after the actuarial report date have now been recorded. GASB 68 requires retroactive application and, accordingly, the cumulative effect of the change in accounting principle as of the beginning of the year is reported in the County's financial statements as a restatement of net position.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are management's estimate of the net pension liability and other post-employment benefits (OPEB) liability. The net pension liability is based on actuarial calculations provided by Texas County and District

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Retirement Systems (TCDRS). The OPEB estimate is also based on actuarial calculations performed by independent third parties. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation for the financial statements taken as a whole.

Financial Statement Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. The attached schedule summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the County's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated March 18, 2016.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the County, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the County's auditors.

Noncompliance with Laws and Regulations, Violations of Contract Provisions or Grant Agreements

We have identified the following matters involving noncompliance with laws and regulations, violations of contract provisions or grant agreements that came to our attention during the course of the audit.

The Indigent Defense Program was not obtaining proof of continuing legal education (CLE) hours to ascertain if lawyers were in compliance with CLE stipulations to be appointed to the attorney rotation list.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the County's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, with respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally

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accepted in the United States of America, the method of preparing it has not changes from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying records used to prepare the financial statements or to the financial statements themselves.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

ACM:mlm

**SCHEDULE OF UNCORRECTED MISSTATEMENTS
SEPTEMBER 30, 2015**

GW PAJE # 3001		4301.00	
To correctly add back deferred contribution			
Deferred Contributions		4,087,213	
Transportation Expense			4,087,213
Total		<u>0.00</u>	<u>0.00</u>
GW PAJE # 3002		9301.00	
To correctly state the deferred loss on refunding that should have been added in and correct amount recognized as an expense			
Bond Interest Expense		2,647,647	
Deferred Loss on Refunding			2,647,647
Total		<u>0.00</u>	<u>0.00</u>
GW PAJE # 3003		5300.01	
To correctly state NPO and related accounts due to other entities included in payroll			
Net Pension Liability		2,768,162	
Pension Expense			87,955
Deferred Outflow of Resources			1,321,084
Unrestricted Net Position			1,359,124
Total		<u>0.00</u>	<u>0.00</u>

**SCHEDULE OF CORRECTED MISSTATEMENTS
SEPTEMBER 30, 2015**

Adjusting Journal Entries JE # 1001		4000.00		
To record alcohol sales tax revenue for fourth quarter.				
0100-0000-106000	ACCOUNTS RECEIVABLE	296,364		
0100-0000-335700	ALCOHOL BEVERAGE TAX		296,364	
Total		0.00	0.00	
Adjusting Journal Entries JE # 1002		9200.00		
To correctly state SH 195 deferred revenue and AR				
0777-0000-223000	DEFERRED REVENUE	2,092,999		
0777-0000-106000	ACCOUNTS RECEIVABLE		2,092,999	
Total		0.00	0.00	
Adjusting Journal Entries JE # 1004		4101.00		
To correctly state agency fund cash and liability balances				
0888.0000.108065	Benefits Flex	178,345		
0888-0000-108015	COUNTY CLERK TRUST	1,236,242		
0888.0000.228065	Benefits Flex		178,345	
0888-0000-228015	COUNTY CLERK TRUST		1,236,242	
Total		0.00	0.00	