

David Jetelina  
18118 Lakeside Lane  
Nassau Bay, Texas 77058  
713-825-2372 dj@flagshipotec.com

May 3, 2019

San Leon Municipal Utility District  
443 24th St.  
San Leon, TX 77539  
Attn: Mr. Andrew Miller, District Manager via email: [amiller@slmud.org](mailto:amiller@slmud.org)

Re: Freedom of Information Request for documents from San Leon MUD (SL MUD)

Dear Mr. Miller,

Thank you for your all of your assistance to date which has been most helpful.

This request is made under the Freedom of Information Act. I hereby request copies of the following records related to the upcoming May 4, 2019 San Leon Bond Debt Election:

- 1) An annual audit was conducted by CPA firm McCall Gibson Swedlund Barfoot, PLLC (Barfoot) of the San Leon MUD for fiscal year 2017 and 2018. As part of those audits were a Management Letter from Barfoot to SL MUD for each year and there should have been a Management Response Letter from the SL MUD back to Barfoot for each year. A request is hereby made for the 2017 & 2018 Management Letters and Management Response letters.

The request for records is made to better understand decision making used by the SL MUD in consideration of the proposed Bond Election in May of 2019. This request is submitted in good faith for the benefit of the land owners within the SL MUD district.

I am a property owner and water service customer of the SL MUD.

I request a waiver of all fees for this request. Disclosure of the requested information to me is in the public interest because it is likely to contribute significantly to public understanding of the operations or activities of the government. If you have any questions regarding this request please contact me immediately at 713-825-2372 or email [dj@flagshipotec.com](mailto:dj@flagshipotec.com) . Paper *or* electronic records are acceptable. Please email electronic records. Alternately I will pickup paper copies of records at the SL MUD office.

I look forward to your prompt response.

Respectfully submitted,



David Jetelina



SAN LEON MUNICIPAL UTILITY DISTRICT  
443 24TH STREET  
SAN LEON, TEXAS 77539  
281-339-1586 FAX: 281-339-1587  
EMAIL ADDRESS: [slmud1@slmud.org](mailto:slmud1@slmud.org)  
WEB PAGE: [www.slmud.org](http://www.slmud.org)

May 7, 2019

David Jetelina  
18118 Lakeside Lane  
Nassau Bay, Texas 77058

Dear Mr. Jetelina,

Per your open records request dated May 3, 2019, see the following pages for management letters and management responses from the annual audits conducted by McCall Gibson Swedlund Barfoot, PLLC on behalf of the San Leon MUD for fiscal year 2017 & 2018.

As these documents are technical in nature due to the federal laws regulating the specific requirements for disclosure, I've included below a statement from our auditors explaining some of the information in the letters.

*At the completion of the audit program, we provide management with a letter which contains relevant information about accounting and management issues in the entity. The review of this letter helps the board/management strengthen its internal control as we identify deficiencies/weaknesses in the system in general, if they exist and we feel it rises to the level action would be appropriate. Unfortunately, the way the accounting standard is written, it makes no differentiation between a small governmental entity or a major corporation. The industry is unique, but it's held to the same standards as larger organizations. As a result, it is incredibly common for utility districts to receive a letter stating there are material weaknesses within the organization as it doesn't make sense economically to use taxpayer money to hire an additional firm to put the financial statements together.*

If you have any additional questions, please let us know.

Sincerely,



Andrew Miller  
District Manager

# **McCALL GIBSON SWEDLUND BARFOOT PLLC**

*Certified Public Accountants*

13100 Wortham Center Drive  
Suite 235  
Houston, Texas 77065-5610  
(713) 462-0341  
Fax (713) 462-2708  
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Suite 150W  
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October 16, 2017

Board of Directors  
San Leon Municipal Utility District  
Galveston County, Texas

In planning and performing our audit of the financial statements of San Leon Municipal Utility District (the "District") as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

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 of the District's financial statements 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. 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.

## **Material Weaknesses**

Last year, and again this year, we observed the following matters that we consider to be material weaknesses.

The District's management consists of an elected Board of Directors (the "Directors"). Some Districts, from time to time, also have employees that function as a component of management. In most cases the day-to-day operations are performed by private companies ("Consultants") under contract with the District. The Directors, and from time to time employees, of the District supervise the performance of the Consultants; however, although the Consultants can be part of the District's system of internal control, the Consultants are not members of management. Ultimately, the Directors, and from time to time employees, of the District are responsible for the design and implementation of the system of internal control.

### **Material Weaknesses**

As is common within the system of internal control of most small organizations, the accounting function of the District does not prepare the financial statements complete with footnotes in accordance with accounting principles generally accepted in the United States of America. Accordingly, the District has not established internal controls over the preparation of its financial statements. This condition is considered to be a material weakness of the District's system of internal control over financial reporting.

During the course of performing an audit, it is not unusual for the auditor to prepare various journal entries to present the financial statements on the government-wide basis of accounting. Management's reliance upon the auditor to detect and make these necessary adjustments is considered to be a material weakness in internal control. In addition, the District's Management relies on the District's auditor to prepare the capital asset and depreciation schedules and post adjustments related to the presentation of the capital assets in the government-wide financial statements. This reliance on the auditor to perform this function is considered to be a material weakness in the system of internal control. Auditing standards do not make exceptions for reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive.

We agree with the objective of auditing standards to inform an organization of all the conditions in its internal control that interfere with its ability to record financial data reliably and issue financial statements free of material misstatement. Communication of the material weaknesses above helps to emphasize that the responsibility for financial reporting rests entirely with the organization and not the auditor.

### **Management's Response**

The District's Board of Directors is appointed or elected from the general population and do not necessarily have governmental accounting expertise. The Board engages consultants who possess industry knowledge and expertise to provide financial services, as well as legal and professional engineering services. The Board does not feel that the addition of an employee or consultant to oversee the annual financial reporting process is necessary nor would it be cost effective.

### **Conclusion**

Management's written response to the material weaknesses identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

This communication is intended solely for the information and use of the Board of Directors and the Texas Commission on Environmental Quality and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

# **McCALL GIBSON SWEDLUND BARFOOT PLLC**

*Certified Public Accountants*

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Suite 150W  
Austin, Texas 78759  
(512) 610-2209  
[www.mgsbpllc.com](http://www.mgsbpllc.com)

September 18, 2018

Board of Directors  
San Leon Municipal Utility District  
Galveston County, Texas

In planning and performing our audit of the financial statements of San Leon Municipal Utility District (the "District") as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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Sincerely,

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas