

JEFFERSON COUNTY, TEXAS  
SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS  
AND  
REPORTS OF INDEPENDENT ACCOUNTANTS  
PREPARED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS  
AND THE SINGLE AUDIT ACT  
AMENDMENTS OF 1996  
AND OMB CIRCULAR A-133  
FOR THE YEAR ENDED  
SEPTEMBER 30, 2007

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# Edwards & Fontenote, LLP

## Certified Public Accountants

March 18, 2008

***REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING  
STANDARDS***

To County Judge Ron Walker and  
Members of the Commissioners Court  
Jefferson County, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Jefferson County, Texas as of and for the year ended September 30, 2007, which collectively comprise Jefferson County, Texas' basic financial statements, and have issued our report thereon dated March 18, 2008. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Jefferson County, Texas' internal control over financial reporting 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 Jefferson County, Texas' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Jefferson County, Texas' internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Jefferson County, Texas' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Jefferson County, Texas' financial statements that is more than inconsequential will not be prevented or detected by the Jefferson County, Texas' internal control.

To County Judge Ron Walker and  
Members of the Commissioners Court  
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March 18, 2008

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Jefferson County, Texas' internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Jefferson County, Texas' financial statements are free of 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Commissioners Court of Jefferson County, Texas, management, others within the County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Edwards & Fontenote, LLP*

# Edwards & Fontenote, LLP

## Certified Public Accountants

March 18, 2008

### REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To County Judge Ron Walker and  
Members of the Commissioners Court  
Jefferson County, Texas

#### Compliance

We have audited the compliance of Jefferson County, Texas with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. Jefferson County, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Jefferson County, Texas' management. Our responsibility is to express an opinion on Jefferson County, Texas' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OBM Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jefferson County, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Jefferson County, Texas' compliance with those requirements.

To County Judge Ron Walker and  
Members of the Commissioners Court  
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In our opinion, Jefferson County, Texas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

**Internal Control Over Compliance**

The management of Jefferson County, Texas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Jefferson County, Texas' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

**Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Jefferson County, Texas as of and for the year ended September 30, 2007, and have issued our report thereon dated March 18, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Jefferson County, Texas' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Commissioners Court of Jefferson County, Texas, management, others within the County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

JEFFERSON COUNTY, TEXAS  
 SCHEDULE OF FEDERAL AWARDS  
 FOR THE FISCAL YEAR ENDED  
 SEPTEMBER 30, 2007

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantors Number	Disbursements/ Expenditures
<u>U.S. Department of Transportation</u>			
<u>Passed Through the Texas Department of Highways and Public Transportation:</u>			
State and Community Highway Safety-- Community / Impaired Driver Mobilization Program	16.592	585XXF5026	3,010
<u>Passed Through the Federal Aviation Administration:</u>			
Airport Improvement Program - Airport Master Plan Update Terminal Renovations, Airport Drainage Environmental Study, Perimeter Security Upgrades, and Rehabilitate Runway Lighting, Phase III	20.106	3-48-0018-19-2004	229,684
Airport Improvement Program - Perimeter Fence and Road Construction, Airfield Drainage Correction, and Rehabilitate Apron F	20.106	3-48-0018-020-2005	665,001
Airport Improvement Program - Improve Passenger Terminal Building (Hurricane Rita Damage)	20.106	3-48-0018-022-2006	566,080
Airport Improvement Program - Acquire Equipment			186,894
Total Department of Transportation			<u>1,650,669</u>
<u>U.S. Department Of HUD</u>			
<u>Passed Through the Office of Rural Community Affairs:</u>			
Community Development Block Grants/State's Program--Hamshire Water and Sewer	14.228	TDCP - 723419	11,099
Community Development Block Grants/State's Program--Cheek Step Sewer Improvement	14.228	TDOC - 724006	110,960
ORCA Texas Public Shelter Program	14.228	TDCP - 725127	22,981
First Time Sewer Project	14.228	TDCP - 726299	11,019
TXCDBG Disaster Recovery Contract	14.239	DRS-06-0042	190,050
Total Department of HUD			<u>346,109</u>
<u>U.S. Department of Justice</u>			
<u>Direct Program:</u>			
Local Law Enforcement Block Grants Program--(LLEBG Grant)	16.592	2006-DJ-BX-0797	3,270
Local Law Enforcement Block Grants Program--(LLEBG Grant)	16.592	2005-DJB-X-1109	19
State Criminal Alien Assistance Program (SCAAP)	16.606	2006-APBX-O494	26,470
Forensic Science Training Grant	16.560	2006-DN-BX-0052	81,734

**JEFFERSON COUNTY, TEXAS  
SCHEDULE OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2007**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantors Number	Disbursements/ Expenditures
<u>U.S. Department of Justice</u>			
<u>Passed Through The Office of the Governor, Criminal Justice Division:</u>			
Violence Against Women Formula Grants--Family Violence/Crimes Against Women	16.588	WF06V3013466-09	133,448
Violence Against Women Formula Grants--Family Violence/Crimes Against Women	16.588	WF07V3013466-10	11,856
Crime Victim Assistance--Domestic Violence Clearinghouse	16.575	VA07V3013679-09	36,353
Forensic Science Training Grant	16.560	DN06A1018129-02	36,450
Crime Victim Assistance--Crime Victims Clearinhouse	16.575	VA06V3013679-08	55,631
Juvenile Accountability Grant	16.523	JB06J2017327-03	3,088
Drug Impact Court	16.738	DJ06A1016045-06	94,535
Drug Impact Court	16.738	DJ07A1016045-07	8,592
Family Treatment Drug Court	16.303	DC07A1018690-01	28,752
Family Treatment Drug Court	16.303	DC08A1018690-02	3,236
Total U.S. Department of Justice			523,434
<u>Department of Homeland Security/Federal Emergency Management Agency:</u>			
<u>Passed Through Texas Department of Public Safety Governor's Division of Emergency Management:</u>			
Community Emergency Response Grant	97.004	N/A	8,219
Port Security Grant	97.056	2005-GB-T5-0113	683,473
2005 Homeland Security	97.073	2005-GE-T5-4025	70,000
2006 Homeland Security	97.073	2006-GE-T6-6068	28,105
2004 SHSP Grant	97.073	2004-GE-T4-0015	10,281
FEMA Emergency Hurricane Katrina	97.036	FEMA-3216-DR- Hurricane Katrina	5,735
FEMA Emergency Hurricane Rita	97.036	FEMA-1606-DR- Hurricane Rita	5,900,828
Disaster Relief Grant	97.039	DEM-TDRF-05-09	158,423
Buffer Zone Protection Plan	97.078	06-SR-BZ-004 2006-BZ-T6-0032	170,626

JEFFERSON COUNTY, TEXAS  
 SCHEDULE OF FEDERAL AWARDS  
 FOR THE FISCAL YEAR ENDED  
 SEPTEMBER 30, 2007

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantors Number	Disbursements/ Expenditures
<u>Passed Through Texas Engineering Extension Service/State Homeland Security Program:</u>			
Emergency Management Performance Grant	97.042	06TX-EMPG-064	19,882
Total Department of Homeland Security/ Federal Emergency Management Agency			<u>7,055,572</u>
<u>U.S. Department of Health &amp; Human Services</u>			
<u>Passed Through Texas Department of Protective &amp; Regulatory Services:</u>			
Children's Justice Act -- Family Group Conferencing	93.643	23362284	10,397
Texas Center for Judiciary	93.658	1742639167-A1	12,452
Mosquito Control ESA Grant	93.283	IDSEB	160,656
Jefferson County Diabetes Prevention program	93.988	DIAB/CDSP	39,199
Jefferson County Diabetes Prevention program	93.988	DIAB/CDSP	37,133
Foster Care--Title IV-E--Reimbursement Program	93.658	TJPC-E-2006-123	295,200
Foster Care--Title IV-E--Reimbursement Program	93.658	TJPC-E-2007-123	136,904
Total U.S. Department of Health & Human Services			<u>691,941</u>
<u>U.S. Election Commission</u>			
<u>Passed Through Texas Secretary of State:</u>			
General HAVA Compliance/Voting System Replacement	90.401	N/A	543,463
Total U.S. Election Commission			<u>543,463</u>
Total Federal Assistance			<u>10,811,188</u>

**JEFFERSON COUNTY, TEXAS**  
**NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS**  
**SEPTEMBER 30, 2007**

1. The accompanying Schedule of Expenditures of Federal Awards presents the activity of all applicable Federal and programs of Jefferson County, Texas ("the County"). The County's reporting entity is defined in Note 1 to the County's basic financial statements. Federal awards received directly from Federal agencies, as well as awards passed through other government agencies, are included on the schedule.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Private Purpose Trust Fund types are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in the Special Revenue Fund, a component of the Governmental Fund type. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the Governmental Funds, the Private Purpose Trust Funds, and Agency Funds. This basis of accounting recognizes revenue in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. The period of availability for Federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the Federal project period, extended 30 days beyond the Federal project period ending date, in accordance with provisions in Section H Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Supplement updated as of March 2007.

**JEFFERSON COUNTY, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED  
SEPTEMBER 30, 2006**

**I. Summary of Auditor's Results**

**A. Financial Statements**

1. Type of Auditor's Report issued: **Unqualified**
2. Internal control over financial reporting:
- a. Material weakness(es) identified?  Yes  No
- b. Reportable condition(s) identified that are not to be considered material weaknesses?  Yes  No
3. Noncompliance material to financial statements noted?  Yes  No

**B. Federal Awards**

1. Internal control over major programs:
- a. Material weakness(es) identified?  Yes  No
- b. Reportable condition(s) identified that are not to be considered material weaknesses?  Yes  No
2. Type of Auditor's Report issued on compliance for major programs: **Unqualified**
3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?  Yes  No

4. The major programs of the County include:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement
14.228    14.239	Community Development Block Grant
97.056	Port Security
93.658	Foster Care - Title IV-E

5. The dollar threshold used to distinguish between Type A and Type B Programs was: **\$ 323,242**
6. The County is classified as a low-risk auditee in the context of OMB Circular A-133?  Yes  No

**II. Findings Relating to the Financial Statements Which Are Required to be in Reported in Accordance with *Generally Accepted Government Auditing Standards* : There are no findings to be reported.**

**JEFFERSON COUNTY, TEXAS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED  
SEPTEMBER 30, 2007**

There were no prior year audit findings.

**JEFFERSON COUNTY, TEXAS  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED  
SEPTEMBER 30, 2007**

There was no corrective action plan needed.