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, 2010

Prepared by: Gayle W. Botley, CPA

JEFFERSON COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND REPORTS OF INDEPENDENT ACCOUNTANT 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, 2010

TABLE OF CONTENTS

	Page
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*	1
Independent Auditor's Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	6
Notes on Accounting Policies for Federal Awards	9
Schedule of Findings and Questioned Costs for the year ended September 30, 2010 . . .	10
Summary Schedule of Prior Audit Findings for the year ended September 30, 2010 . . .	11
Corrective Action Plan for the year ended for the year ended September 30, 2010	12

Gayle W. Botley, CPA

Certified Public Accountant *Member of AICPA* *"Supporting Your Financial Growth"*

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 Jeff Branick and
Members of the Commissioners Court
Jefferson County, Texas

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Jefferson County, Texas (the "County") as of and for the year ended September 30, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 18, 2011. 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 *Government 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 County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

Community Tower
4749 Twin City Hwy, Suite 280
Port Arthur, TX 77642

(409) 962-1040
fax (409) 962-0668
(800) 416-8757

gbotley@sbcglobal.net

County Judge Jeff Branick and
Members of the Commissioners Court
Jefferson County, Texas

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's 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 or other matters that are required to be reported under *Government Auditing Standards.*

We noted certain matters that we reported to the County's management, in a separate letter dated March 18, 2011.

This report is intended solely for the information and use of the Commissioners Court of Jefferson County, Texas and management, 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.

Gayle W. Botley, CPA

Gayle W. Botley, CPA
Port Arthur, Texas

March 18, 2011

Gayle W. Botley, CPA

Certified Public Accountant *Member of AICPA* *"Supporting Your Financial Growth"*

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To County Judge Jeff Branick and
Members of the Commissioners Court
Jefferson County, Texas

Compliance

We have audited the compliance of Jefferson County, Texas (the "County") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. 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 the County's management. Our responsibility is to express an opinion on the County's 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 OMB 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 the County's 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 the County's compliance with those requirements.

In our opinion, Jefferson County, Texas, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

Community Tower
4749 Twin City Hwy, Suite 280
Port Arthur, TX 77642

(409) 962-1040
fax (409) 962-0668
(800) 416-8757

gbotley@sbcglobal.net

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *deficiency* in internal control exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of and for the year ended September 30, 2010, and have issued our report thereon dated March 18, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

County Judge Jeff Branick and
Members of the Commissioners Court
Jefferson County, Texas

This report is intended solely for the information and use of the Commissioners Court of Jefferson County, Texas and management, 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.

Gayle W. Botley, CPA

Gayle W. Botley, CPA
Port Arthur, Texas

March 18, 2011

JEFFERSON COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantors Number	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through the Federal Aviation Administration:			
Airport Improvement Program - Perimeter Fence and Road Construction, Airfield Drainage Correction, and Rehabilitate Apron F	20.106	3-48-0018-020-2005	$ 73,309
Airport Improvement Program - Improve Passenger Terminal Building (Hurricane Rita Damage)	20.106	3-48-0018-022-2006	44,720
Airport Improvement Program - Acquire Equipment	20.106	3-48-0018-023-2006	18,705
Airport Improvement Program - Runway 16/34 and Taxiway D Rehabilitation - Planning Study	20.106	3-48-0018-026-2009	165,030
Airport Improvement Program - Rehabilitation of the North General Aviation Apron, Wildlife Hazard Assessment, Airfield Approach/Geometry Study, Acquisition of Airfield Sweeper, and Environmental Assessment for West Ditch	20.106	3-48-0018-027-2010	23,411
Direct Programs:			
Airport Improvement Program - Rehabilitate Runway 12-30	20.106	3-48-0018-024-2007	73,457
Total U.S. Department of Transportation			398,632
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			
Passed Through the Texas Department of Rural Affairs:			
Community Development Block Grants / State's Program - Office of Rural Commmunity Affairs (ORCA) for Bridges (Rita)	14.228	DRS-0704	531,389
Community Development Block Grants / State's Program - ORCA for Bridges (Hillebrandt)	14.228	TXCDBG-727087	350,000
Community Development Block Grants / State's Program - Disaster Recovery (DR) Program - Ike Various Projects	14.218	DRS 06 0042	806,212
Total U.S. Department of Housing & Urban Development			1,687,601
U.S. DEPARTMENT OF JUSTICE			
Passed Through the City of Beaumont:			
Edward Byrne Memorial Formula Grant Program	16.579	2007DJBX1023	2,118
Edward Byrne Memorial Formula Grant Program	16.579	2009DJBX1383	27,322
Edward Byrne Memorial Formula Grant Program	16.579	2008DJBX0578	318
ARRA Edward Byrne Memorial Justice Assistance Grant Program - Grants to Local Governments	16.804	2009SBB92922	138,807

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF JUSTICE (CONTINUED)			
Passed Through the Office of Attorney General:			
Project Safe Neighborhoods	16.609	OAG Grant #1019447	$ 81,957
Passed Through the Office of the Governor, Criminal Justice Division:			
Violence Against Women Formula Grants - Family Violence/Crimes Against Women	16.588	13466-12	109,688
Violence Against Women Formula Grants - Family Violence/Crimes Against Women	16.588	13466-13	12,305
Crime Victim Assistance - Crime Victim's Clearninghouse	16.575	21032-02	5,972
Crime Victim Assistance - Crime Victim's Clearninghouse	16.575	21032-01	52,551
Juvenile Accountability Block Grants	16.523	17327-06	2,400
Juvenile Accountability Block Grants	16.523	17327-05	18,756
ARRA Edward Byrne Memorial Justice Assistance Grant Program - Sheriff's Training Grant	16.803	22706-01	9,995
Edward Byrne Memorial Justice Assistance Grant Program - Jefferson County Drug Intervention Court	16.738	16045-10	2,973
Edward Byrne Memorial Justice Assistance Grant Program - Jefferson County Family Treatment Drug Court	16.738	18690-04	29,259
Edward Byrne Memorial Justice Assistance Grant Program - Jefferson County Family Treatment Drug Court	16.738	18690-05	430
Direct Programs:			
State Criminal Alien Assistance Program (SCAAP)	16.606	2009APBX0046	27,876
State Criminal Alien Assistance Program (SCAAP)	16.606	2008APBX0128	13,411
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	2009-CD-BX-0057	30,524
Total U.S. Department of Justice			566,662
DEPARTMENT OF HOMELAND SECURITY			
Passed Through Texas Department of Public Safety Governor's Division of Emergency Management:			
Disaster Grants-Public Assiatance (Presidentially Declared Disaster) - Hurricane Ike	97.036	MA-1791-DR-Hurricane	1,893,221
Disaster Grants-Public Assiatance (Presidentially Declared Disaster) - Hurricane Rita	97/036	MA-1606-DR-Hurricane	319,687
2008 Homeland Security Grant			
State Homeland Security Program	97.073	2008 GE-T8-0034	12,205
State Homeland Security Program - LEAP	97.073	2008 GE-T8-0034	121,496
Law Enforcement Terrorism Prevention - CCP	97.074	2008 GE-T8-0034	4,122
2009 Homeland Security Grant			
State Homeland Security Program	97.073	2009 SS-T9-0064	58,647
Law Enforcement Terrorism Prevention - CCP	97.074	2009 SS-T9-0064	1,891
Passed Through Deep East Texas Council of Government:			
Social Services Block Grant	93.667	DETCOG SSBG	1,070,519

JEFFERSON COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF HOMELAND SECURITY (CONTINUED)			
Passed Through Texas Department of Public Safety Governor's Division of Emergency Management: (Continued)			
Hazard Mitigation Grant DR 1791-001/004	97.039	FEMA-1791-DR-001/004	$ 1,020,982
Buffer Zone Protection Program	97.078	08-SRA-BZ-48245	115,691
Emergency Management Performance Grant	97.042	09TX-EMPG-0389	40,921
Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS0209HSLR352	67,804
Direct Programs:			
ARRA Port Security Grant Program	97.116	2009PUR10410	203,282
2007 Port Security Grant	97.056	2007-GB-T7-K035	1,257,961
Total Department of Homeland Security			6,188,429
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			
Passed Through Texas Department of Family & Protective Services:			
Children's Justice Grants to State - Family Group Conferencing	93.643	23362284	1,487
Foster Care - Title IV-E - Child Welfare Services	93.658	Contract #23379461	81,913
Foster Care - Title IV-E - Legal Services	93.658	Contract #23381079	67,471
Passed Through Texas Department of State Health Services:			
Cooperative Agreements for State - Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	DIAB / CDSP 2010-034760-001	29,202
Cooperative Agreements for State - Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	DIAB / CDSP 2009-031075-001	24,021
Passed Through Texas Juvenile Probation Commission:			
Foster Care - Title IV-E - Reimbursement Program	93.658	TJPC-E-2010-123	49,411
Total U.S. Department of Health & Human Services			253,505
U.S. ELECTION COMMISSION			
Passed Through Texas Secretary of State:			
Help America Vote Act Requirements Payments - General HAVA Compliance / Voting System Replacement	90.401	N/A	20,876
Total U.S. Election Commission			20,876
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Texas Department of Agriculture:			
Summer Food Service Program	10.559	123-1007	1,981
Total U.S. Department of Agriculture			1,981
TOTAL FEDERAL ASSISTANCE			$ 9,117,686

1. The County utilizes the fund types specified in the Resource Guide.

   Special Revenue Funds – are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.

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 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 June 2010.

JEFFERSON COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: **unqualified**

Internal control over financial reporting:

- Material weakness(es) identified? ____ Yes _X_ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ____ Yes _X_ none reported

Noncompliance material to financial statements noted? ____ Yes _X_ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ____ Yes _X_ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ____ Yes _X_ none reported

Type of auditor's report issued on compliance for major programs: **unqualified**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ____ Yes _X_ No

The major programs of the County include:

CFDA Numbers	Name of Federal Program or Cluster
14.228	Community Development Block Grants
16.803	ARRA Edward Byrne Memorial Justice Assistance Grant - Sheriff Training Program
16.804	ARRA Edward Byrne Memorial Justice Assistance Grant - Grant to Local Government
16.738	Edward Byrne Memorial Justice Assistance Grant
93.667	Social Services Block Grant
97.116	ARRA Port Security Grant Program
97.056	2007 Port Security Grant

The dollar threshold used to distinguish between Type A and Type B programs: $ 300,000.

Auditee qualified as low-risk auditee? _X_ Yes ____ No

II. Findings Relating to the Financial Statements Which Are Required to be Reported in Accordance with *Generally Accepted Government Auditing Standards.*

There are no findings to be reported.

III. Findings and Questioned Costs for Federal Awards

There are no findings and questioned costs to be reported.

PATRICK SWAIN
COUNTY AUDITOR
(409) 835-8500

1149 PEARL ST. - 7TH FLOOR
BEAUMONT, TEXAS 77701

JEFFERSON COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

There was no prior year audit findings.

PATRICK SWAIN
COUNTY AUDITOR
(409) 835-8500

1149 PEARL ST. - 7TH FLOOR
BEAUMONT, TEXAS 77701

JEFFERSON COUNTY, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2010

There was no corrective action plan needed.