

JEFFERSON COUNTY, TEXAS

SINGLE AUDIT REPORT

**For Fiscal Year
September 30, 2011**

PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

JEFFERSON COUNTY, TEXAS

SINGLE AUDIT REPORT

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PATTILLO, BROWN & HILL, T.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**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**

To the Honorable County Judge
and 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, as of and for the year ended September 30, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 19, 2012 . 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 the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions 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.

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*.

This report is intended solely for the information and use of management, Commissioners' Court, others within the entity, and 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.

Pattillo, Breen & Hill, L.L.P.

March 19, 2012



PATTILLO, BROWN & HILL, T.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' 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 the Honorable County Judge
and Commissioners' Court
Jefferson County, Texas

Compliance

We have audited Jefferson County, Texas' (the "County") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the County's major federal programs for the year ended September 30, 2011. The County's 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 of the County's compliance with those requirements.

In our opinion, the County, 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, 2011.

Internal Control Over Compliance

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 over compliance 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, 2011, and have issued our report thereon dated March 19, 2012, 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 U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Nonprofit 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.

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

Pattillo, Brown & Hill, L.L.P.

March 19, 2012

JEFFERSON COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2011

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grantor's Pass-through Number	Federal Expenditures
<u>U. S. Department of Agriculture</u>			
Passed through the Texas Department of Agriculture:			
Summer Food Service Program	10.559	123-1007	\$ 1,819
Total Passed through the Texas Department of Agriculture			<u>1,819</u>
Total U. S. Department of Agriculture			<u>1,819</u>
<u>U. S. Department of Housing and Urban Development</u>			
Passed through the Office of Rural Affairs:			
Community Development Block Grants/States Program - Rita	14.228	DRS-0704	1,286,134
Community Development Block Grants/States Program - Ike	14.228	DRS-010219	<u>7,219,960</u>
Total Passed through the Office of Rural Affairs			<u>8,506,094</u>
Total U. S. Department of Housing and Urban Development			<u>8,506,094</u>
<u>U. S. Department of the Interior</u>			
Direct:			
Coastal Impact Assistance Program	15.426	M11AF00066	<u>90</u>
Total Direct Programs			<u>90</u>
Passed through the Texas General Land Office:			
Coastal Impact Assistance	15.426	11-181-000-4737	<u>89,994</u>
Total Passed through the Texas General Land Office			<u>89,994</u>
Total U. S. Department of the Interior			<u>90,084</u>
<u>U. S. Department of Justice</u>			
Passed through the City of Beaumont:			
Edward Byrne Memorial Formula Grant Program	16.579	2010DJDBX0139	<u>12,319</u>
Total Passed through the City of Beaumont			<u>12,319</u>
Passed through the Office of Attorney General:			
Project Safe Neighborhoods	16.609	1019447	20,543
Project Safe Neighborhoods	16.609	2008-GP-CX-0100	12,648
Project Safe Neighborhoods	16.609	2010-GP-BX-0021	<u>61,546</u>
Total Passed through the Office of Attorney General			<u>94,737</u>

(continued)

JEFFERSON COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(Continued)

YEAR ENDED SEPTEMBER 30, 2011

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grantor's Pass-through Number	Federal Expenditures
<u>U. S. Department of Justice</u> (Continued)			
Passed through the Office of the Governor,			
Criminal Justice Division:			
Violence Against Women Formula Grants	16.588	13466-13	\$ 71,409
Violence Against Women Formula Grants	16.588	13466-14	7,995
Crime Victim Assistance - Crime Victim's Clearinghouse	16.575	21032-02	44,893
Crime Victim Assistance - Crime Victim's Clearinghouse	16.575	21032-01	4,730
Juvenile Accountability Block Grants	16.523	17327-06	23,758
Juvenile Accountability Block Grants	16.523	17327-07	2,191
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	24177-01	<u>28,349</u>
Total Passed through the Office of the Governor, Criminal Justice Division			<u>183,325</u>
Direct Programs:			
State Criminal Alien Assistance Program (SCAAP)	16.606	2009APBX0046	29,223
State Criminal Alien Assistance Program (SCAAP)	16.606	2010APBX0304	40,847
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	2009-CD-BX-0057	<u>48,760</u>
Total Direct Programs			<u>118,830</u>
Total U. S. Department of Justice			<u>409,211</u>
<u>U. S. Department of Transportation</u>			
Passed through Federal Aviation Administration:			
Airport Improvement Program - Runway 16/34 and Taxiway D Rehabilitation - Planning	20.106	3-48-0018-026-2009	93,496
Airport Improvement Program - Rehabilitation of the North General Aviation Apron and Assessments and Studies for West Ditch	20.106	3-48-0018-027-2010	928,094
Airport Improvement Program - Construction of Airport Access Road, Conceptual design of Airfield Improvements, for Runway 16/34 and 12/30	20.106	3-48-0018-028-2011	<u>15,540</u>
Total Passed through Federal Aviation Administration			<u>1,037,130</u>

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JEFFERSON COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(Continued)

YEAR ENDED SEPTEMBER 30, 2011

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grantor's Pass-through Number	Federal Expenditures
<u>U. S. Department of Transportation</u> (Continued)			
Direct Programs:			
Airport Improvement Program - Rehabilitate Runway 12-30	20.106	3-48-0018-024-2007	\$ 17,345
Total Direct Programs			<u>17,345</u>
Passed through National Highway Safety Administration			
STEP Impaired Driver Mobilization	20.601	2011-JeffersonCoSO-S-IDM-00015	14,489
Total Passed through National Highway Safety Administration			<u>14,489</u>
Total U. S. Department of Transportation			<u>1,068,964</u>
<u>U. S. Election Commission</u>			
Passed through Texas Secretary of State:			
Help America Vote Act Requirements Payments -			
General HAVA Compliance/Voting System Replacement	90.401	N/A	2,801
Total Passed through the Texas Secretary of State			<u>2,801</u>
Total U. S. Election Commission			<u>2,801</u>
<u>U. S. Department of Health and Human Services</u>			
Passed through Texas Department of Family & Protective Services:			
Foster Care - Title IV-E Child Welfare Services	93.658	23379461	60,041
Foster Care - Title IV-E Legal Services	93.658	23381079	56,717
Total Passed through Texas Department of Family & Protective Services			<u>116,758</u>
Passed through Texas Juvenile Probation Commission:			
Foster Care - Title IV-E - Reimbursement Program	93.658	TJPC-E-2010-123	9,115
Total Passed through Texas Juvenile Probation Commission			<u>9,115</u>
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	19,992
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems			
	93.988	DIAB/CDSP 2011-037872-001	21,525
Total Passed through Texas Department of State Health Services			<u>41,517</u>
Total U. S. Department of Health and Human Services			<u>167,390</u>

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JEFFERSON COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(Continued)

YEAR ENDED SEPTEMBER 30, 2011

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grantor's Pass-through Number	Federal Expenditures
<u>U. S. Department of Homeland Security</u>			
Passed through the Texas Division of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disaster) - Hurricane Ike	97.036	MA-1791-DR-Hurricane	\$ 951,873
2009 Homeland Security Grant:			
State Homeland Security Program	97.073	2009 SS-T9-0064	131,353
Law Enforcement Terrorism Prevention - CCP	97.053	2009 SS-T9-0064	2,109
2010 Homeland Security Grant:			
State Homeland Security Program	97.073	2010-GE-T7-0024	45,559
State Homeland Security Program - LEAP	97.053	2010-GE-T7-0024	4,546
Law Enforcement Terrorism Prevention - CCP	97.073	2010-GE-T7-0024	14,884
Hazard Mitigation Grant DR 1791-001/004	97.039	FEMA-1791-DR-001/004	50,346
Buffer Zone Protection Program	97.078	08-SRA-BZ-48245	70,125
Buffer Zone Protection Program	97.078	09-SR-BZ-48245-03	96,975
Emergency Management Performance Grant	97.042	10TX-EMPG-0389	35,539
Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS0209HSLR352	<u>35,825</u>
Total Passed through the Texas Division of Emergency Management			<u>1,439,134</u>
Direct Programs:			
ARRA Port Security Grant Program	97.116	2009PUR10410	69,991
2007 Port Security Grant	97.056	2007-GB-T7-K035	1,083,781
2008 Port Security Grant	97.056	2008-GB-T8-K007	2,179,092
2010 Port Security Grant	97.056	2010-PU-T0-K040	<u>107,931</u>
Total Direct Programs			<u>3,440,795</u>
Total U. S. Department of Homeland Security			<u>4,879,929</u>
Total Federal Awards			<u>\$ 15,126,292</u>

JEFFERSON COUNTY, TEXAS

NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS

SEPTEMBER 30, 2011

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. Capital Projects Funds are used to account for all resources used for the acquisition or construction of capital facilities. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. GASB Statement No. 54 allows grants used for the construction or acquisition of capital assets to be accounted for in the Capital Projects Funds. Generally, used 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 the exception of the Office of Rural Affairs grants, which are recorded in Capital Projects Funds, due to the implementation of GASB Statement 54. Capital Projects Funds also are a component of the government 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, OMG Circular A-133 Compliance Supplement updated as of June 2011.

JEFFERSON COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued	Unqualified
Internal control over financial reporting: Material weakness(es) identified?	None
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	None

Federal Awards:

Internal control over major programs: Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' 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 OMB Circular A-133?	None
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Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster:
#20.106	Airport Improvement Program
#97.116	ARRA Port Security Grant Program
#97.056	Port Security Grant Program

Dollar threshold used to distinguish between type A and type B programs	\$453,789
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Auditee qualified as low-risk auditee?	Yes
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**Findings Relating to the Financial Statements Which Are
Required to be Reported in Accordance With
Generally Accepted Government Auditing Standards**

None

Findings and Questioned Costs Related to Federal Awards

None