

JEFFERSON COUNTY, TEXAS

SINGLE AUDIT REPORT

**For Fiscal Year
September 30, 2014**

JEFFERSON COUNTY, TEXAS

SINGLE AUDIT REPORT

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

INDEPENDENT AUDITORS' 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, in accordance with the 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, 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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 20, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Waco, Texas
March 20, 2015



P A T T I L L O , B R O W N & H I L L , L . L . P .
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133 AND THE STATE OF TEXAS
UNIFORM GRANT MANAGEMENT STANDARDS**

To the Honorable County Judge and
Commissioners Court
Jefferson County, Texas

Report on Compliance for Each Major Federal and State Program

We have audited Jefferson County, Texas' ("the County") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement and the State of Texas Uniform Grants Management Standards that could have a direct and material effect on each of the County's major federal and state programs for the year ended September 30, 2014. The County's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal and state programs based on our audit of the types of compliance requirements referred to above. 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the State of Texas *Uniform Grant Management Standards*. Those standards, OMB Circular A-133, and the State of Texas *Uniform Grant Management Standards* 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 or state 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 on compliance for each major federal and state program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2014.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State of Texas *Uniform Grant Management Standards*, 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 or state 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 or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal and State Awards Required by OMB Circular A-133 and the State of Texas Uniform Grant Management Standards

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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 20, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by OMB Circular A-133 and the State of Texas Uniform Grant Management Standards and is not a required part of the basic 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 basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the State of Texas *Uniform Grant Management Standards*. Accordingly, this report is not suitable for any other purpose.

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

Waco, Texas
March 20, 2015

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JEFFERSON COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED SEPTEMBER 30, 2014

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grantor's ID Number	Federal Expenditures
<u>FEDERAL PROGRAMS</u>			
<u>U. S. Department of Agriculture</u>			
Passed through the Texas Department of Agriculture			
Summer Food Service Program	10.559	123-1007	\$ 1,304
Total Passed through the Texas Department of Agriculture			<u>1,304</u>
Total U. S. Department of Agriculture			<u>1,304</u>
<u>U. S. Department of Housing and Urban Development</u>			
Passed through the Texas General Land Office			
Community Development Block Grants/States Program - Ike	14.228	DRS-010219	3,473,981
Cheek Step Sewer Improvement, Phase #3	14.228	GLO-711281	62,850
Cheek Step Sewer Improvement, Phase #4	14.228	TDCP-713250	<u>18,000</u>
Total Passed through the Texas General Land Office			<u>3,554,831</u>
Total U. S. Department of Housing and Urban Development			<u>3,554,831</u>
<u>U. S. Department of the Interior</u>			
Passed through U.S. Fish and Wildlife Service			
Sport Fish Restoration Program - Keith Lake	15.605	FD-195B	<u>500,000</u>
Total Program 15.605			<u>500,000</u>
Coastal Impact Assistance	15.668	F12AF70144	243,456
Coastal Impact Assistance	15.668	TXGLO 11-239-0000-4825	29,163
Coastal Impact Assistance	15.668	TXGLO 13-242-0000-7440	<u>86,348</u>
Total Program 15.668			<u>358,967</u>
Total Passed through U.S. Fish and Wildlife Service			<u>858,967</u>
Total U. S. Department of the Interior			<u>858,967</u>
<u>U. S. Department of Justice</u>			
Passed through the City of Beaumont			
Edward Byrne Memorial Formula Grant Program	16.579	2011DJBX3245	37
Edward Byrne Memorial Formula Grant Program	16.579	2012DJBX0253	325
Edward Byrne Memorial Formula Grant Program	16.579	2013DJBX1070	<u>16,171</u>
Total Passed through the City of Beaumont			<u>16,533</u>

JEFFERSON COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED SEPTEMBER 30, 2014

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grantor's ID Number	Federal Expenditures
<u>U. S. Department of Justice</u>			
Passed through the Office of the Governor, Criminal Justice Division			
Violence Against Women Formula Grants	16.588	13466-16	\$ 71,375
Violence Against Women Formula Grants	16.588	13466-17	7,264
Total Program 16.588			<u>78,639</u>
Crime Victim Assistance - Crime Victim's Clearinghouse	16.575	21032-05	45,838
Crime Victim Assistance - Crime Victim's Clearinghouse	16.575	21032-06	4,162
Total Program 16.575			<u>50,000</u>
Juvenile Accountability Block Grants	16.523	17327-09	<u>11,560</u>
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	24177-04	<u>24,673</u>
Total Passed through the Office of the Governor, Criminal Justice Division			<u>164,872</u>
Direct Program			
State Criminal Alien Assistance Program (SCAAP)	16.606	2010APBX0304	15,222
State Criminal Alien Assistance Program (SCAAP)	16.606	2011APBX0305	10,658
State Criminal Alien Assistance Program (SCAAP)	16.606	2012APBX0465	17,204
Total Program 16.606			<u>43,084</u>
Total U. S. Department of Justice			<u>224,489</u>

JEFFERSON COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED SEPTEMBER 30, 2014

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grantor's ID Number	Federal Expenditures
<u>U. S. Department of Transportation</u>			
Passed through Federal Aviation Administration			
Design Only of Runway Safety Area Improvements, New Electrical Vault, Taxiway D Replacement, Airport Operating Area Security Improvements, and Update Airport Layout	20.106	3-48-0018-029-2012	\$ <u>118,264</u>
Construction of Taxiway D Reconstruction, Runway Safety Area Grading, RW 16/34 Rehabilitation, Design of Partial Reconstruction for RW 12/30, Taxiway E & F and and DBE/ACDBE Program Update	20.106	3-48-0018-030-2014	<u>52,699</u>
Total Passed through Federal Aviation Administration			<u>170,963</u>
Passed through Texas Department of Transportation			
Violent Offender Task Force	20.601	2014-JLEOTFS4, 25302-TFO Overtime	15,272
Selective Traffic Enforcement Program - Impaired Driver Mobilization	20.601	2014-Jefferson-S-IYG-0073	<u>49,803</u>
Total Passed through Texas Department of Transportation			<u>65,075</u>
Total U. S. Department of Transportation			<u>236,038</u>
<u>U.S. General Services Administration</u>			
Passed through Texas Facilities Commission			
Donation of Federal Surplus Property	39.003	None	<u>71</u>
Total U.S. General Services Administration			<u>71</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	23939002	36,997
Foster Care - Title IV-E Legal Services	93.658	23939003	<u>44,080</u>
Total Passed through Texas Department of Family & Protective Services			<u>81,077</u>

JEFFERSON COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED SEPTEMBER 30, 2014

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grantor's ID Number	Federal Expenditures
<u>U. S. Department of Health and Human Services</u>			
Passed through Texas Juvenile Probation Commission			
Foster Care - Title IV-E - Reimbursement Program	93.658	TJPC-E-2012-123	\$ <u>7,919</u>
Total Passed through Texas Juvenile Probation Commission			<u>7,919</u>
Total U. S. Department of Health and Human Services			<u>88,996</u>
<u>Office of National Drug Control Policy</u>			
Direct Program			
High Intensity Drug Trafficking Area	95.001	G12HN0010A - DHE	<u>10,190</u>
Total Office of National Drug Control Policy			<u>10,190</u>
<u>U. S. Department of Homeland Security</u>			
Passed through the Texas Division of Emergency Management			
Homeland Security Grant Program - 2012 SHSP	97.073	EMW-2012-SS-00018-S01	302
Homeland Security Grant Program - 2013 LETPA/LEAP	97.073	EMW-2013-SS-00045	<u>17,000</u>
Total Program 97.073			<u>17,302</u>
Passed through the Texas Division of Emergency Management			
Emergency Management Performance Grant	97.042	13TX-EMPG-0389	<u>35,265</u>
Total Passed through the Texas Division of Emergency Management			<u>52,567</u>

JEFFERSON COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED SEPTEMBER 30, 2014

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grantor's ID Number	Federal Expenditures
<u>U. S. Department of Homeland Security</u>			
Direct Programs			
2009 Port Security Grant	97.056	2009-PU-T9-K002	\$ 1,482,174
2011 Port Security Grant	97.056	EMW2011PUK00134	503,953
2012 Port Security Grant	97.056	EMW2012PU00156	37,624
2013 Port Security Grant	97.056	EMW2013PU00321	<u>430,728</u>
Total Direct Programs			<u>2,454,479</u>
Total U. S. Department of Homeland Security			<u>2,507,046</u>
Total Expenditures of Federal Awards			<u>\$ 7,481,932</u>

JEFFERSON COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED SEPTEMBER 30, 2014

<u>State Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Grantor's ID Number</u>	<u>State Expenditures</u>
<u>Texas Department of Motor Vehicles</u>			
Motor Vehicle Salvage/Theft Reduction Program		SA-T01-10040-09	\$ <u>82,310</u>
Total Department of Motor Vehicles			<u>82,310</u>
<u>Texas Department of Transportation</u>			
Routine Airport Maintenance Grant		M1420BMPT	<u>50,000</u>
Total Department of Transportation			<u>50,000</u>
<u>Texas Department of Criminal Justice</u>			
Family Treatment Drug Court		1869008	31,792
Drug Court		1604513	<u>60,593</u>
Total Department of Criminal Justice			<u>92,385</u>
<u>Texas Indigent Defense Commission</u>			
Indigent Defense Formula Grant FY 14			<u>364,092</u>
Total Indigent Defense Commission			<u>364,092</u>
Total Expenditures of State Awards			\$ <u>588,787</u>
Total Expenditures of Federal and State Awards			\$ <u>8,070,719</u>

JEFFERSON COUNTY, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

SEPTEMBER 30, 2014

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, Capital Projects Funds, Enterprise Funds or the General 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. Most federal and state grant funds were accounted for in the Special Revenue Funds, Capital Projects Funds, or the General Fund, components 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. The County also accounts for grants in its enterprise funds. The accrual basis of accounting is used for enterprise funds.

Federal and state 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 unearned revenues until earned.

3. The period of availability for federal and state grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal or state project period, extended 30 days beyond the federal or state 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 2013.

JEFFERSON COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued	Unmodified
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?	None
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs	Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

None

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster:</u>
14.228	Community Development Block Grant
15.605	Recreational Boating Access Grant Program
State	Indigent Defense Formula Grant

Dollar threshold used to distinguish between type A and type B federal programs

\$300,000

Dollar threshold used to distinguish between type A and type B state programs

\$300,000

Auditee qualified as low-risk auditee? for federal single audit?

No

Auditee qualified as low-risk auditee? for state single audit?

No

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 for Federal Awards

None

JEFFERSON COUNTY, TEXAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

None

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