

**NACOGDOCHES COUNTY, TEXAS**

**FEDERAL SINGLE AUDIT REPORT**

**Year Ended September 30, 2013**

# NACOGDOCHES COUNTY, TEXAS

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**REPORT OF INDEPENDENT AUDITORS 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 Members of the Commissioners Court  
Nacogdoches 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, each major fund, and the aggregate remaining fund information of Nacogdoches County, Texas (the “County”) as of and for the year ended September 30, 2013, 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 25, 2014.

***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 opinion 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 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 the 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 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*.

***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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Whitley Penn LLP

Houston, Texas  
March 25, 2014

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;  
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY OMB CIRCULAR A-133**

To the Honorable County Judge and  
Members of the Commissioners Court  
Nacogdoches County, Texas

***Report on Compliance for Each Major Federal Program***

We have audited Nacogdoches County, Texas's (the "County") compliance 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 the County's major federal programs for the year ended September 30, 2013. 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.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance 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; 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

***Opinion on Each Major Federal 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 programs for the year ended September 30, 2013.

### ***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, 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 program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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. 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 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.

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. Accordingly, this report is not suitable for any other purpose.

### ***Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 25, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on those financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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 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 Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Whitley Penn LLP*

Houston, Texas  
March 25, 2014

**NACOGDOCHES COUNTY, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Direct:			
Attoyac Bayou Watershed - Lake Construction; Site 23A; Dam	10.904	69-7442-3-590	\$ 9,304
Total direct from U.S. Department of Agriculture			<u>9,304</u>
Passed through the Texas Comptroller of Public Accounts:			
Schools and Roads	10.665	P.L. 110-343	30,711
Total passed through the Texas Comptroller of Public Accounts			<u>30,711</u>
<b>Total U.S. Department of Agriculture</b>			<u><u>40,015</u></u>
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
Passed through the Texas General Land Office:			
Community Development Block Grant- Community Shelter	14.228	10-5119-000-5100	273,627
Total Passed through Texas General Land Office			<u>273,627</u>
Passed through the Texas Department of Agriculture			
Community Development Block Grant- Melrose Street Paving Project	14.228	712250	40,678
Total Passed through Texas Department of Agriculture			<u>40,678</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u><u>314,305</u></u>
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>			
Direct:			
Federal Equitable Sharing Agreement	16.922	N/A	72,375
State Criminal Alien Assistance Program	16.606	2013-AP-BX-0340	14,886
Total direct from U.S. Department of Justice			<u>87,261</u>
Passed through the City of Nacogdoches:			
Edward Byrne Memorial Justice Assistance Grant (JAG)	16.738	2011-DJ-BS-3299	2,934
Total Passed through City of Nacogdoches			<u>2,934</u>
<b>Total U.S. Department of Justice</b>			<u><u>90,195</u></u>
<b><u>U.S. ELECTIONS ASSISTANCE COMMISSION</u></b>			
Passed through Texas Secretary of State			
HAVA Requirements Payments	90.401	78649	50,223
Total Passed through Texas Secretary of State			<u>50,223</u>
<b>Total U.S. Elections Assistance Commission</b>			<u><u>50,223</u></u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
Passed through the Texas Department of Family & Protective Services			
Foster Care Title IV-E Child Welfare Board	93.658	23938985	3,378
Title IV-E County Legal Services Contract	93.658	23938986	8,994
Total Passed through the Texas Department of Family & Protective Services			<u>12,372</u>
Passed through the Texas Office of the Attorney General			
State Case Registry/Local Customer Services	93.563	13-C0069	371
Total Passed through the Texas Office of Attorney General			<u>371</u>
<b>Total U.S. Department of Health and Human Services</b>			<u><u>12,743</u></u>
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>			
Passed through the Texas Department of Public Safety:			
Emergency Operations Center Grant Program (EOCGP)	97.052	09-48347-01	169,314
Total Passed through the Texas Department of Public Safety			<u>169,314</u>
<b>Total U.S. Department of Homeland Security</b>			<u><u>169,314</u></u>
<b><u>U.S. DEPARTMENT OF THE TREASURY</u></b>			
Direct:			
Federal Equitable Sharing Agreement-Nacogdoches County DA's Office	16.000	N/A	2,805
Federal Equitable Sharing Agreement-Nacogdoches County Constable #4	16.000	N/A	4,061
Total Direct			<u>6,866</u>
<b>Total U.S. Department of the Treasury</b>			<u><u>6,866</u></u>
<b><u>U.S. DEPARTMENT OF THE INTERIOR</u></b>			
Direct:			
Payments in Lieu of Taxes (PILT)	15.226	N/A	46,319
Total Direct			<u>46,319</u>
<b>Total U.S. Department of the Interior</b>			<u><u>46,319</u></u>
Total Federal Expenditures			<u><u>\$ 729,980</u></u>

\* - indicates cluster programs

The accompanying notes are an integral part of this schedule.

**NACOGDOCHES COUNTY, TEXAS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the Year Ended September 30, 2013*

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal grant activity of the Nacogdoches County, Texas (the “County”) under programs of the federal government for the year ended September 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net assets or cash flows of the County.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The County accounts for all awards under programs of the federal government in the General and Special Revenue Funds. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally 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 these funds. This basis of accounting recognizes revenues 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 liability is incurred, if measurable, except for 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 for governmental funds are considered to be earned to the extent of expenditures made under the provisions of the grant. When such funds are advanced to the County, they are recorded as deferred revenues until earned. Otherwise, federal grant funds are received on a reimbursement basis from the respective federal program agencies. Generally, unused balances are returned to the grantor at the close of specified project periods.

**NACOGDOCHES COUNTY, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*For the Year Ended September 30, 2013*

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

*FINANCIAL STATEMENTS*

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
a. Material weakness(es) identified?	No
b. Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to the financial statements noted?	None

*FEDERAL AWARDS*

Internal control over major programs:	
a. Material weakness(es) identified?	No
b. Significant deficiency(ies) identified that are not considered to be material weakness(es)?	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?	No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.052	Emergency Operations Center Grant
14.228	Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
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Auditee qualified as low-risk auditee?	Yes
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**NACOGDOCHES COUNTY, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**For the Year Ended September 30, 2013**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

Current year findings - None

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Current year findings - None

**SECTION IV - STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

No findings from prior year

**SECTION V - CORRECTIVE ACTION PLAN ON CURRENT YEAR FINDINGS**

No findings reported for current year.