

**NACOGDOCHES COUNTY, TEXAS**  
**FEDERAL SINGLE AUDIT REPORT**  
**Year Ended September 30, 2010**



**3411 Richmond Avenue, Suite 500**  
**Houston, Texas 77046**  
**(713) 621-1515**

**NACOGDOCHES COUNTY, TEXAS**  
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**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 Members of the Commissioners Court  
Nacogdoches County, Texas

We have audited the financial statements of Nacogdoches County, Texas (the "County") as of and for the year ended September 30, 2010, and have issued our report thereon dated March 22, 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 the County's 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 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.

Our consideration of the 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 controls of financial reporting that we consider to be material weaknesses or deficiency in internal controls 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*.

***Closing***

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

*Null-Lairson P.C. CPA's*

Houston, Texas  
March 29, 2011

**Independent Auditors' Report on  
Compliance with Requirements that Could have a Direct and Material  
Effect on Each Major Federal Program and on Internal Control  
Over Compliance in Accordance with OMB Circular A-133**

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

***Compliance***

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, 2010. 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 on 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, 2010.

***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 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 would not necessarily identify all deficiencies in internal control 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, 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 22, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the County's 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.

***Closing***

This report is intended solely for the information and use of the County Judge, Commissioners Court, management, others within the organization 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.

*Null-Lairson P.C. CPA's*

Houston, Texas  
March 29, 2011

**NACOGDOCHES 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
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Passed through the Texas Commission on Environmental Quality:			
Attoyac Bayou Watershed - Land Rights	10.904	59-7442-2-2220	\$ 212,213
Attoyac Bayou Watershed - Lake Construction; Site 23A; Dam	10.904	69-7442-3-590	5,445
Attoyac Bayou Watershed - Arch Services Phase III	10.904	69-7442-2-518	-
Attoyac Bayou Watershed - Arch Services	10.904	69-7442-9-876	2,904
Attoyac Bayou Watershed-Recreational Development	10.904	69-7442-6-743	120,769
Total Passed through Texas Commission on Environmental Quality			341,331
<b>Total U.S. Department of Agriculture</b>			341,331
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
Passed through the Texas Department of Rural Affairs:			
CDBG Disaster Recovery Program	14.228	DRS060057	2,648
Community Development Block Grant-Melrose Water Supply	14.228	727339	3,340
Total Passed through Texas Department of Rural Affairs			5,988
<b>Total U.S. Department of Housing and Urban Development</b>			5,988
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>			
Direct:			
State Criminal Alien Assistance Program	16.606	2010-AP-BX-0667	21,935
Edward Byrne Memorial Justice Assistance Grant (JAG)	16.738	2007-DJ-BX-0325	108
Edward Byrne Memorial Justice Assistance Grant (JAG)	16.738	2009-DJ-BX-0018	2,953
Recovery Act Edward Byrne Memorial Justice Asst. Grant (JAG)	16.804	2009-SB-B9-0007	28,145
Total U.S. Department of Justice			53,141
<b><u>U.S. ELECTIONS ASSISTANCE COMMISSION</u></b>			
Direct:			
HAVA General HAVA Compliance	90.401		32,388
HAVA Opportunity for Access	93.617		274
HAVA Team Compatibility	39.011		43
HAVA County Education Fund	39.011		1,693
Total Direct			34,398
<b>Total U.S. Elections Assistance Commission</b>			34,398
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
Passed through the Texas Juvenile Probation Commission:			
Foster Care Title IV-E	93.658		4,372
Foster Care Title IV-E Administrative	93.658	TJPC-E-2010-174	697
Total Passed through the Texas Juvenile Probation Commission			5,069
Passed through the Texas Department of Health:			
Foster Care Title IV-E Child Welfare Board	93.658		7,411
Total Passed through the Texas Department of Health			7,411
<b>Total U.S. Department of Health and Human Services</b>			12,480

**U.S. DEPARTMENT OF HOMELAND SECURITY**

Passed through the Deep East Texas Council of Governments: Homeland Security Program-Nacogdoches County	97.074		36,606
Passed through FEMA:			
Public Assistance	97.036	PA-06-TX-1791	4,279
Public Assistance	97.036	PA-06-TX-1791	10,786
Total Passed through FEMA			<u>15,065</u>
Passed through the Texas Department of Emergency Management: Emergency Management Performance Grant	97.042	10TX-EMPG-0433	46,000
Total Passed through the Texas Department of Emergency Management			<u>46,000</u>
<b>Total U.S. Department of Homeland Security</b>			<u>97,671</u>

**U.S. DEPARTMENT OF THE TREASURY**

Direct:			
Federal Equitable Sharing Agreement-Nacogdoches County Sheriff's Office	16.001		11,823
Total Direct			<u>11,823</u>
<b>Total U.S. Department of the Treasury</b>			<u>11,823</u>

**U.S. FOREST SERVICE**

Passed through the Texas Comptroller of Public Accounts: Secure Rural School Act of 2000	10.665	P.L. 110-343	38,811
Total passed through the Texas Comptroller of Public Accounts			<u>38,811</u>
<b>Total U. S. Forest Service</b>			<u>38,811</u>

**U.S. DEPARTMENT OF THE INTERIOR**

Passed through the Texas Comptroller of Public Accounts: Payments in Lieu of Taxes (PILT)	15.226		40,392
Total passed through the Texas Comptroller of Public Accounts			<u>40,392</u>
<b>Total U. S. Department of the Interior</b>			<u>40,392</u>
Total Federal Expenditures			<u>\$ 636,036</u>

*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, 2010*

**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, 2010. 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, 2010*

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

*FINANCIAL STATEMENTS*

Type of auditors' report issued: Unqualified

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)? No

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: Unqualified

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>
10.904	Attoyac Bayou Watershed Passed through the Texas Commission on Environmental Quality from the U.S. Department of Agriculture

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? No

**NACOGDOCHES COUNTY, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*For the Year Ended September 30, 2010*

**SECTION II – FINANCIAL STATEMENT FINDINGS**

Current year findings- None

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

Current year findings- None

**NACOGDOCHES COUNTY, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COST**  
*For the Year Ended September 30, 2010*

SECTION IV- STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Finding 2009-1- The person processing payroll has the ability to change employee data.

Finding resolved through implementation of review procedures over payroll processing.

SECTION V – CORRECTIVE ACTION PLAN ON CURRENT YEAR FINDINGS

No findings reported for current year.