

NACOGDOCHES COUNTY, TEXAS

FEDERAL SINGLE AUDIT REPORT

**For The Fiscal Year Ended
September 30, 2016**

NACOGDOCHES COUNTY, TEXAS

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**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, 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, (the “County”) as of and for the year ended September 30, 2016, 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 22, 2017.

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.

To the Honorable County Judge and
Members of the Commissioners Court

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 instance 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.

Whitley Penn LLP

Houston, Texas
March 22, 2017

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED
BY THE *UNIFORM GUIDANCE***

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’s (the “County”) compliance with the types of compliance requirements described in the *OMB 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, 2016. The County’s major federal program is 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 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; and audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Those standards and the Uniform Guidance 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.

To the Honorable County Judge and
Members of the Commissioners Court

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 its major federal program for the year ended September 30, 2016.

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 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 program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, 2016 and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 22, 2017, 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 awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the

To the Honorable County Judge and
Members of the Commissioners Court

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 22, 2017

NACOGDOCHES COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2016

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?	No

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 2 CFR 200.516(a)?	None

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
97.036	Public Assistance Grant
Dollar threshold used to distinguish between type A and type B programs:	\$187,500
Auditee qualified as low-risk auditee?	Yes

NACOGDOCHES COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended September 30, 2016

Section II - Financial Statement Findings

There were no items reported

Section III - Federal Award Findings And Questioned Costs

There were no items reported

Section IV - Status Of Prior Year Findings And Questioned Costs

There were no items reported

NACOGDOCHES COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through the Texas Comptroller of Public Accounts:			
<i>Schools and Roads - Secure Rural Schools Act of 2000</i>	10.665	P L 110-343	\$ 28,434
Total U.S. Department of Agriculture			<u>28,434</u>
U.S. Department of Justice			
Direct:			
<i>Federal Equitable Sharing Agreement</i>	16.922	N/A	30,759
<i>State Criminal Alien Assistance Program</i>	16.606	2016-AP-BX-0218	9,396
<i>Bullet Proof Vest Program</i>	16.607	N/A	2,978
Total U.S. Department of Justice			<u>43,133</u>
U.S. Department of Homeland Security			
Passed through the Texas Department of Public Safety:			
<i>Public Assistance Grant- Cat C R&B; NAC001C Roads (Small)</i>	97.036	PA-06-TX-4233-PW-00504(0)(1)	77,689
<i>Public Assistance Grant- Cat C R&B; NAC002C Bridges/Ret Wall (small)</i>	97.036	PA-06-TX-4233-PW-00731	46,337
<i>Public Assistance Grant- Cat C R&B; NAC003C Roads (Small)</i>	97.036	PA-06-TX-4233-PW-00897	71,530
<i>Public Assistance Grant- Cat C R&B; NAC004C Roads (Small)</i>	97.036	PA-06-TX-4233-PW-01174	89,045
<i>Public Assistance Grant- Cat C R&B; NAC005C Roads (Large)</i>	97.036	PA-06-TX-4233-PW-01238	132,756
<i>Public Assistance Grant- Cat C R&B; NAC006C Roads (Large)</i>	97.036	PA-06-TX-4233-PW-01301	215,098
<i>Public Assistance Grant- Cat C R&B; NAC007C Roads (Large)</i>	97.036	PA-06-TX-4233-PW-01304	117,207
<i>Public Assistance Grant- Cat C R&B; NAC008C Roads (Large)</i>	97.036	PA-06-TX-4233-PW-01380	138,210
<i>Public Assistance Grant- Cat C R&B; NAC009C Roads (Large)</i>	97.036	PA-06-TX-4233-PW-01377	168,203
<i>Public Assistance Grant- Cat C R&B; NAC010C Roads (Large)</i>	97.036	PA-06-TX-4233-PW-01412	124,773
Total U.S. Department of Homeland Security			<u>1,180,848</u>
U.S. Department of Health and Human Services			
Passed through the Texas Department of Family & Protective Services			
<i>Foster Care Title IV-E Child Welfare Board</i>	93.658	23938985	179
<i>Title IV-E County Legal Services Contract</i>	93.658	23938986	1,534
Total Passed through the Texas Department of Family & Protective Services			<u>1,713</u>
Passed through the Texas Office of the Attorney General			
<i>Child Support Enforcement - State Case Registry/Local Customer Svc Contract</i>	93.563	15-C0066	221
Total Passed through the Texas Office of Attorney General			<u>221</u>
Passed through the Texas Department of State Health Services			
<i>Texas Healthy Communities Program (HPCDP/TXHC)</i>	93.991	2016-003908-00	45,672
Total Passed through the Texas Department of State Health Services			<u>45,672</u>
Total U.S. Department of Health and Human Services			<u>47,606</u>

NACOGDOCHES COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditure s
U.S. Department of the Treasury			
Direct:			
<i>Federal Equitable Sharing Agreement-Nacogdoches County Constable #4</i>	21.000	N/A	\$ 884
Total U.S. Department of the Treasury			884
 U.S. Department of the Interior			
Direct:			
<i>Payments in Lieu of Taxes (PILT)</i>	15.226	PL 114-113	54,919
Total U.S. Department of the Interior			54,919
 National Endowment for the Humanities			
Passed through Humanities Texas			
<i>Mission Guadalupe Rededication Ceremony Mini-Grant</i>	45.129	2016-5085	1,000
Total National Endowment for the Humanities			1,000
 Total Federal Expenditures			\$ 1,356,824

NACOGDOCHES COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2016

Note 1 - Basis of Accounting

The County accounts for awards under federal programs in the General and Special Revenue governmental funds.

In the Governmental funds, these programs are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue. Expenditures generally are recorded when a fund liability is incurred. The County has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 2 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance.