

JEFFERSON COUNTY, TEXAS

SINGLE AUDIT REPORT

**For Fiscal Year
September 30, 2017**



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

JEFFERSON COUNTY, TEXAS

SINGLE AUDIT REPORT

**For Fiscal Year
September 30, 2017**

THIS PAGE LEFT BLANK INTENTIONALLY

JEFFERSON COUNTY, TEXAS

SINGLE AUDIT REPORT

TABLE OF CONTENTS

SEPTEMBER 30, 2017

	<u>Page Number</u>
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 <i>Government Auditing Standards</i>	1 – 2
Independent Auditors' Report on Compliance for Each Major Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance and the State of Texas Uniform Grant Management Standards	3 – 5
Schedule of Expenditures of Federal and State Awards	6 – 8
Notes to Schedule of Expenditures of Federal and State Awards	9
Schedule of Findings and Questioned Costs.....	10
Summary Schedule to Prior Audit Findings	11

THIS PAGE LEFT BLANK INTENTIONALLY



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

**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***

The Honorable County Judge and
Commissioners Court
Jefferson County, Texas

We have audited, 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, 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, 2017, and the related notes to the financial statements, which collectively comprise Jefferson County, Texas' basic financial statements, and have issued our report thereon dated March 16, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Jefferson County, Texas' 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 Jefferson County, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of Jefferson County, Texas' 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 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Jefferson County, Texas' 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.

Ratillo, Brown & Hill, L.L.P.

Waco, Texas
March 16, 2018



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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH THE UNIFORM GUIDANCE AND THE STATE OF TEXAS
UNIFORM GRANT MANAGEMENT STANDARDS**

The Honorable County Judge and
Commissioners' Court
Jefferson County, Texas

Report on Compliance for Each Major Federal Program

We have audited Jefferson County, Texas' compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* and the State of Texas *Uniform Grants Management Standards* that could have a direct and material effect on each of Jefferson County, Texas' major federal and state programs for the year ended September 30, 2017. Jefferson County, Texas' 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 Jefferson County, Texas' 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; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"); and the State of Texas *Uniform Grant Management Standards* ("UGMS"). Those standards, the Uniform Guidance, and UGMS 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 Jefferson County, Texas' 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 Jefferson County, Texas' compliance.

Opinion on Each Major Federal and State Program

In our opinion, Jefferson County, Texas 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, 2017.

Report on Internal Control over Compliance

Management of Jefferson County, Texas 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 Jefferson County, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program as a basis for designing 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 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 Jefferson County, Texas' 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 Compliance Supplement and the State of Texas Uniform Grant Management Standards

We have audited the financial statements of Jefferson County, Texas as of and for the year ended September 30, 2017, and have issued our report thereon dated March 16, 2018 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by OMB Compliance Supplement and UGMS 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 the Uniform Guidance and UGMS. Accordingly, this report is not suitable for any other purpose.

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

Waco, Texas
March 16, 2018

JEFFERSON COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED SEPTEMBER 30, 2017

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grantor's ID Number	Federal Expenditures	Pass Through 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	\$ 8,850	\$ -
Total Passed through the Texas Department of Agriculture			8,850	-
Total U. S. Department of Agriculture			8,850	-
<u>U. S. Department of Housing and Urban Development</u>				
Passed through the Texas General Land Office				
Community Development Block Grant/States Program - Ike Round 2.2	14.228	DRS-220219	962,135	-
Total Passed through the Texas General Land Office			962,135	-
Passed through the Texas Department of Agriculture				
Cheek Step Sewer Improvement, Phase #5	14.228	TDCP-7216231	25,983	-
Total Passed through the Texas Department of Agriculture			25,983	-
Total U. S. Department of Housing and Urban Development			988,118	-
<u>U.S. Department of the Interior</u>				
Passed through the U.S. Fish and Wildlife Service				
Coastal Impact Assistance	15.668	F16AF00129	2,292,588	-
Total Passed through the U.S. Fish and Wildlife Service			2,292,588	-
<u>U. S. Department of Justice</u>				
Passed through the City of Beaumont				
Edward Byrne Memorial Formula Grant Program	16.579	2015DJBX1005	1,098	-
Edward Byrne Memorial Formula Grant Program	16.579	2016DJBX0729	18,312	-
Total Passed through the City of Beaumont			19,410	-
Passed through the Office of the Governor, Criminal Justice Division				
Crime Victim Assistance - Crime Victim's Clearinghouse	16.575	21032-07	93,203	-
Violence Against Women Formula Grants	16.588	13466-19	72,896	-
Violence Against Women Formula Grants	16.588	13466-20	9,313	-
Total Passed through the Office of the Governor, Criminal Justice Division			175,412	-
Direct Program				
State Criminal Alien Assistance Program (SCAAP)	16.606	2016APBX0262	4,368	-
Total Program 16.606			4,368	-
Total U. S. Department of Justice			199,190	-
<u>U. S. Department of Transportation</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	84,542	-
Reconstruct 1,000 feet of pavement from the 30 end of Runway 12-30	20.106	3-48-0018-031-2015	153,805	-
Design and Construction of Rehabilitation of Taxiway Delta (Phase III),				
Design Taxiway Delta (Phase IV), and Replacement of Rotating Beacon	20.106	3-48-0018-032-2016	2,040,757	-
Rehabilitate Taxiway Delta (Phase IV)	20.106	3-48-0018-033-2017	44,903	-
Total Passed through Federal Aviation Administration			2,324,007	-

JEFFERSON COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED SEPTEMBER 30, 2017

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grantor's ID Number	Federal Expenditures	Pass Through Expenditures
<u>U. S. Department of Transportation</u>				
Passed through Texas Department of Transportation				
Selective Traffic Enforcement Program - Impaired Driver				
Mobilization	20.601	2017-Jefferson-S-IYG-0057	\$ 28,956	\$ -
Violent Offender Task Force	20.601	25302 - TFO	1,922	-
Total Passed through Texas Department of Transportation			30,878	-
Total U. S. Department of Transportation			2,354,885	-
<u>U. S. Department of Health and Human Services</u>				
Passed through the Office of Attorney General				
Title IV-D Fees - Constable	93.563	N/A	51,325	-
Title IV-D Fees - District Clerk	93.563	N/A	319,602	-
Title IV-D Fees - Child Support Customer Service	93.563	N/A	1,300	-
Total Passed through the Office of Attorney General			372,227	-
Passed through Texas Department of Family & Protective Services				
Foster Care - Title IV-E Child Welfare Services	93.658	23939002	28,387	-
Foster Care - Title IV-E Legal Services	93.658	23939003	58,658	-
Total Passed through Texas Department of Family & Protective Services			87,045	-
Total U. S. Department of Health and Human Services			459,272	-
<u>U. S. Department of Homeland Security</u>				
Passed through the Texas Division of Emergency Management				
Emergency Management Performance Grant	97.042	17TX-EMPG-0389	38,508	-
Total Passed through the Texas Division of Emergency Management			38,508	-
Direct Programs				
2015 Port Security Grant	97.116	EMW2015PU00143	33,499	-
2016 Port Security Grant	97.116	EMW2016PU00351	17,760	-
Total Direct Programs			51,259	-
Passed through the Office of the Governor, Criminal Justice Division				
Homeland Security Grant Program - 2016 LETPA	97.067	29593-02	36,333	-
Total Passed through the Office of the Governor, Criminal Justice Division			36,333	-
Total U. S. Department of Homeland Security			126,100	-
Total Expenditures of Federal Awards			\$ 6,429,003	\$ -

JEFFERSON COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED SEPTEMBER 30, 2017

State Grantor/Pass-through Grantor/ Program Title	Grantor's ID Number	State Expenditures	Pass Through Expenditures
<u>STATE PROGRAMS</u>			
<u>Texas Department of Motor Vehicles</u>			
Motor Vehicle Salvage/Theft Reduction Program	608-17-1230100	\$ 78,206	\$ -
Total Department of Motor Vehicles		<u>78,206</u>	<u>-</u>
<u>Texas Department of Transportation</u>			
Routine Airport Maintenance Grant	M1720BMPT	50,000	-
County Transportation Infrastructure Fund Grant	N/A	<u>118,354</u>	<u>-</u>
Total Department of Transportation		<u>168,354</u>	<u>-</u>
<u>Texas Department of Criminal Justice</u>			
Family Treatment Drug Court	1869010	51	-
Family Treatment Drug Court	1869011	35,830	-
Family Treatment Drug Court	1869012	3,389	-
Body-Worn Camera Program (BWC)	3037901	34,300	-
Drug Court	1604516	<u>600</u>	<u>-</u>
Total Department of Criminal Justice		<u>74,170</u>	<u>-</u>
<u>Texas Indigent Defense Commission</u>			
Indigent Defense Formula Grant FY 17	N/A	<u>273,067</u>	<u>-</u>
Total Indigent Defense Commission		<u>273,067</u>	<u>-</u>
<u>Texas Commission on Law Enforcement</u>			
Law Enforcement Officer Standards and Education	N/A	<u>30,267</u>	<u>-</u>
Total Texas Commission on Law Enforcement		<u>30,267</u>	<u>-</u>
<u>Office of the Governor, Criminal Justice Division</u>			
Juvenile Accountability Block Grants	28091-03	<u>121,057</u>	<u>-</u>
Total Office of the Governor, Criminal Justice Division		<u>121,057</u>	<u>-</u>
<u>Texas Attorney General's Office</u>			
Crime Victims Compensation Fund - Sexual Assault Exam	N/A	<u>6,919</u>	<u>-</u>
Total Texas Attorney General's Office		<u>6,919</u>	<u>-</u>
<u>Texas Historical Commission</u>			
Texas Historical Courthouse Preservation Program	CTH-JEFFERSON-08-2014	<u>54,840</u>	<u>-</u>
Total Texas Historical Commission		<u>54,840</u>	<u>-</u>
Total Expenditures of State Awards		\$ <u>806,880</u>	\$ <u>-</u>
Total Expenditures of Federal and State Awards		\$ <u>7,235,883</u>	\$ <u>-</u>

JEFFERSON COUNTY, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

SEPTEMBER 30, 2017

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 Performance, Part 3, OMB Compliance Supplement updated as of July 2017.
4. The County did not elect to apply the 10% de minimis indirect cost rate.

JEFFERSON COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

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
200.516(a) of Uniform Guidance?

None

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster:</u>
14.228	Community Development Block Grant
15.668	Coastal Impact Assistance Program
State	Indigent Defense Formula Grant

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

\$750,000

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?

Yes

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

Yes

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 and State Awards

None

PATRICK SWAIN
COUNTY AUDITOR
(409) 835-8500



1149 PEARL ST – 7TH FLOOR
BEAUMONT, TEXAS 77701

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

None

THIS PAGE LEFT BLANK INTENTIONALLY