

**NAVARRO COUNTY, TEXAS**

**SINGLE AUDIT REPORT**

**SEPTEMBER 30, 2016**



*Navarro County Courthouse*

**NAVARRO COUNTY, TEXAS**

**SINGLE AUDIT REPORT**

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*Navarro County Courthouse*



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 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 Judge and  
Commissioners' Court of  
Navarro 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 Navarro County, Texas ("the County"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise of the County's basic financial statements, and have issued our report thereon dated June 30, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2016-001 and 2015-001 to be material weaknesses.

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.

### **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  
June 30, 2017



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 IN  
ACCORDANCE WITH THE UNIFORM GUIDANCE AND STATE OF TEXAS UNIFORM  
GRANT MANAGEMENT STANDARDS**

To the Honorable Judge and  
Commissioners' Court of  
Navarro County, Texas

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

We have audited the Navarro County, Texas' ("the County"), compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* and *State of Texas Uniform Grant Management Standards ("UGMS")* 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, 2016. 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; 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 *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 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, 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 or 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 program and to test and report on internal control over compliance in accordance with the Uniform Guidance and *UGMS*, 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 the *Uniform Guidance* and State of Texas *Uniform Grant Management Standards***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Navarro County, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise Navarro County, Texas' basic financial statements. We issued our report thereon dated June 30, 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 and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and 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 the *Uniform Guidance* and *UGMS*. Accordingly, this report is not suitable for any other purpose.

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

Waco, Texas  
June 30, 2017

**NAVARRO 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	Total Federal Expenditures	Pass-through Expenditures
<b><u>U. S. Department of Justice</u></b>				
Direct Programs:				
State Criminal Alien Assistance Grant	16.606	2014-AP-BX-0747	\$ 17,727	\$ -
Total Direct Programs			<u>17,727</u>	<u>-</u>
<b><u>U. S. Department of Transportation</u></b>				
Passed through the Texas Department of Transportation:				
Highway Planning & Construction	20.205	CSJ 0918-18-129	15,647	-
Highway Planning & Construction	20.205	CSJ 1289-01-032	4,500	-
Highway Planning & Construction	20.205	CSJ 0093-02-018	<u>1,000</u>	<u>-</u>
Total Passed through the Texas Department of Public Transportation			<u>21,147</u>	<u>-</u>
Total U. S. Department of Transportation			<u>21,147</u>	<u>-</u>
<b><u>U. S. Office of National Drug Control Policy</u></b>				
Direct Programs:				
High Intensity Drug Trafficking Area (HIDTA)	95.001	G14NT0001A	804,702	-
High Intensity Drug Trafficking Area (HIDTA)	95.001	G15NT0001A	1,655,142	-
High Intensity Drug Trafficking Area (HIDTA)	95.001	G16NT0001A	<u>341,577</u>	<u>-</u>
Total Direct Programs			<u>2,801,421</u>	<u>-</u>
Total U. S. Office of National Drug Control Policy			<u>2,801,421</u>	<u>-</u>
<b><u>U. S. Department of Homeland Security</u></b>				
Passed through the Texas Department of Public Safety:				
Disaster Grants - Public Assistance	97.036	PA-06-TX-4223	735,338	-
Disaster Grants - Public Assistance	97.036	PA-06-TX-4245	2,711,365	-
Disaster Grants - Public Assistance	97.036	PA-06-TX-4255	<u>194,860</u>	<u>-</u>
Total Passed through the Texas Department of Public Safety			<u>3,641,563</u>	<u>-</u>
Total U. S. Department of Homeland Security			<u>3,641,563</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 6,481,858</u>	<u>\$ -</u>

**NAVARRO COUNTY, TEXAS**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

State Grantor Program Title	Pass-through Entity Identifying Number	Total State Expenditures
<b><u>Texas Task Force on Indigent Defense</u></b>		
Direct Programs:		
Indigent Defense	212-16-175	\$ <u>50,430</u>
Total Direct Programs		<u>50,430</u>
Total Texas Task Force on Indigent Defense		<u>50,430</u>
<b><u>Commission on State Emergency Communications</u></b>		
Passed thru North Central Texas Council of Governments:		
911 Addressing	N/A	<u>14,992</u>
Total passed thru North Central Texas Council of Governments		<u>14,992</u>
Total Commission on State Emergency Communications		<u>14,992</u>
<b><u>Texas Historical Commission</u></b>		
Direct Programs:		
Courthouse Restoration Grant	N/A	<u>899,939</u>
Total Direct Programs		<u>899,939</u>
Total Texas Historical Commission		<u>899,939</u>
Total Expenditures of State Awards		<u>\$ 965,361</u>

# NAVARRO COUNTY, TEXAS

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

SEPTEMBER 30, 2016

### 1. GENERAL

The accompanying Schedule of Expenditures of Federal and State Awards presents the activity of all federal and state financial assistance programs of Navarro County, Texas, for the year ended September 30, 2016. The County's reporting entity is defined in Note 1 to the County's financial statements. Federal financial assistance received directly from federal agencies and other agencies are included in the Schedule of Expenditures of Federal and State Awards.

### 2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal and State Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the County's financial statements.

### 3. BASIS OF ACCOUNTING

The County has elected not to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance.

**NAVARRO COUNTY, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**Summary of Auditors' Results**

Financial Statements:

Type of auditors' report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes

Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? None

Federal and State Awards:

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance for major federal and state programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) or the State of Texas Uniform Grant Management Standards?

Yes; 2016-001 and 2015-001

Identification of major federal and state programs:  
 CFDA #97.036  
 State program

Name of Federal or State Program:  
 Disaster Grants - Public Assistance  
 Courthouse Restoration Grant

Dollar threshold used to distinguish between type A and type B federal and 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? No

**Findings and Questioned Costs for Federal and State Awards**

None

NAVARRO COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

**Findings Relating to the Financial Statements Which Are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards**

**Item 2016-001:**

<u>Condition:</u>	The County's interfund balances were not reconciled to the general ledger.
<u>Criteria:</u>	All interfund balances should be reconciled to detect errors both intentional and unintentional.
<u>Cause:</u>	Internal controls to ensure interfund balances are reconciled properly were not implemented.
<u>Effect:</u>	The lack of controls creates an environment in which errors could go undetected within a timely manner.
<u>Recommendation:</u>	Interfund balances should be reconciled to the general ledger and reviewed on a monthly basis.
<u>Management's Response:</u>	In the future, management will reconcile interfund balances monthly.
<u>Contact Person Responsible for Corrective Action:</u>	Terry Gillen, Interim County Auditor
<u>Anticipated Completion Date:</u>	June 30, 2017

**Item 2015-001 – Prior Year Finding:**

<u>Condition:</u>	In the past the County incorrectly classified several special revenue funds as agency funds.
<u>Criteria:</u>	All funds should be properly classified in the financial statements and on the general ledger to ensure an accurate accounting of all transactions.
<u>Cause:</u>	At the end of each year the County would transfer money related to certain fees to an agency bank account, mistakenly identifying the money as being classified as belonging in an agency fund for accounting purposes.

NAVARRO COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2016

**Findings Relating to the Financial Statements Which Are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards** (Continued)

**Item 2015-001 – Prior Year Finding** (Continued):

Effect: The County was accounting for its own money as an agency fund off of the general ledger other than the year that the money was collected.

Recommendation: All funds should be properly classified in the financial statements. While not required, it is recommended that all funds, even agency funds, be included in the general ledger to assist in proper accounting of funds.

Current Status: The County is still in the process of opening a new bank account and reconciling expenditures and revenues with the general fund.

Management's Response: In the future, management will be more diligent in the reconciliation of these special funds by updating these funds weekly when necessary.

Contact Person Responsible for Corrective Action: Terry Gillen, Interim County Auditor

Anticipated Completion Date: June 30, 2017



*Navarro County Courthouse*