

SINGLE AUDIT REPORTS
SAN JACINTO COUNTY, TEXAS

**For the Year Ended
September 30, 2015**

SAN JACINTO COUNTY, TEXAS

SINGLE AUDIT REPORTS

September 30, 2015

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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**

August 1, 2016

To the Honorable County Judge and
Members of the Commissioners' Court of
San Jacinto 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 San Jacinto County, Texas (the "County") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 1, 2016.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County'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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies, 2015-001.

Partners

Robert Belt, CPA
Stephanie E. Harris, CPA
Nathan Krupke, CPA

Houston

3210 Bingle Rd., Ste. 300
Houston, TX 77055
713.263.1123

Bellville

P.O. Box 826
Bellville, TX 77418
713.263.1123

Austin

100 Congress Ave., Ste. 2000
Austin, TX 78701
512.381.0222

All Offices

www.texasauditors.com
info@txauditors.com
713.263.1550 fax

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*.

County's Response to Findings.

The County's response to the findings in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas



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

August 1, 2016

To the Honorable County Judge and
Members of the Commissioners' Court of
San Jacinto County, Texas:

Report on Compliance for Each Major Federal Program

We have audited San Jacinto County, Texas' (the "County") compliance with the types of compliance requirements described in the *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, 2015. The County's major federal 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 programs.

Auditors' 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 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.

Partners

Robert Belt, CPA
Stephanie E. Harris, CPA
Nathan Krupke, CPA

Houston

3210 Bingle Rd., Ste. 300
Houston, TX 77055
713.263.1123

Bellville

P.O. Box 826
Bellville, TX 77418
713.263.1123

Austin

100 Congress Ave., Ste. 2000
Austin, TX 78701
512.381.0222

All Offices

www.texasauditors.com
info@txauditors.com
713.263.1550 fax



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, 2015.

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 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.

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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We have issued our report thereon dated August 1, 2016, 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 OMB Circular A-133 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.

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.

BELT HARRIS PECHACEK, LLP

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas

SAN JACINTO COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended September 30, 2015

A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS

Significant Deficiency:

2014-001. REPORTING OF GRANT REVENUE

Condition

The County is not recognizing grant revenue in the end of year accrual and several adjustments were needed in the grants fund to reconcile grant revenue to grant-related expenditures.

Recommendation

The County should ensure that grant revenue is recognized in the correct time period. The County should establish procedures to review and reconcile all grant fund revenue accounts as they relate to supporting documentation for expenditures reported.

Current Status

The County did not implement processes to report grant revenue and this comment has been reported as 2015-001. The County Auditor's office is responsible for implementing recommendations in fiscal year 2016.

2014-002. CONSTRUCTION IN PROGRESS

Condition

The County was unable to provide a listing of the additions and deletions for construction in progress. Construction project expenditures are tracked separately by project by the County Auditor's office; however, a consolidated construction in progress listing is not maintained.

Recommendation

The County should ensure that a consolidated construction in progress listing is maintained. The County should work with their software vendor to identify opportunities to automate the recording of construction in progress or develop procedures to manually account for it.

Current Status

As a result of a software change, the County was able to track construction in progress projects in fiscal year 2015. No similar findings were noted in the 2015 audit.

SAN JACINTO COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2015

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of San Jacinto County, Texas.
2. No material weaknesses in internal control were disclosed by the audit of the financial statements.
3. Significant deficiencies in internal control were disclosed by the audit of the financial statements.
4. No instances of noncompliance material to the financial statements were disclosed during the audit.
5. No significant deficiencies in internal control over major federal award programs were disclosed by the audit.
6. The auditors' report on compliance for the major federal award programs expresses an unmodified opinion.
7. No audit findings relative to the major federal award programs for the County are reported.
8. The programs included as a major program are:

<u>CFDA Number</u>	<u>Program Title</u>
14.228	Community Development Block Grant

9. The threshold for distinguishing Type A and B programs was \$300,000.
10. The County did not qualify as a low-risk auditee.

B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT

Significant Deficiencies:

2015-001. REPORTING OF GRANT REVENUE

Condition

The County is not recognizing grant revenue in the end of year accrual and several adjustments were needed in the grants fund to reconcile grant revenue to grant-related expenditures. This condition was reported in the prior year as well.

Effect

There is potential risk for a material misstatement of the financial statements if revenue is not properly reconciled and reported in the correct time period.

Cause

The County does not appear to have procedures in place to review and reconcile all grant fund revenue accounts as they relate to supporting documentation for expenditures reported.

SAN JACINTO COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Year Ended September 30, 2015

Criteria

In accordance with OMB Circular A-133, the County is responsible for identifying and satisfying the reporting requirements associated with grants that it has been awarded and expended. Generally accepted accounting principles (GAAP) provide for revenue recognition of reimbursement-based grants when the qualifying expenditures have been incurred and all other eligibility requirements have been met.

Recommendation

The County should ensure that grant revenue is recognized in the correct time period. The County should establish procedures to review and reconcile all grant fund revenue accounts as they relate to supporting documentation for expenditures reported.

Corrective Action Plan

The County will review and reconcile all grant fund revenue accounts as they relate to supporting documentation for expenditures reported to ensure that all grant fund accounts are reported properly. The County Auditor's office is responsible for implementing recommendations in fiscal year 2016.

C. FINDINGS – FEDERAL AWARDS

None.

SAN JACINTO COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2015

Grantor/ Program Title	CFDA Number	Grant/Contract Number	Expenditures
U.S. Department of Agriculture			
<i>Pass-Through Texas Comptroller of Public Accounts</i>			
Schools and Roads - Grants to States - Title I	10.665	N/A	\$ 132,907
Total U.S. Department of Agriculture			<u>132,907</u>
U.S. Department of Interior			
<i>Pass-Through Texas Comptroller of Public Accounts</i>			
National Forest Acquired Lands	15.438	N/A	52,378
Total U.S. Department of Interior			<u>52,378</u>
U.S. Department of Housing and Urban Development			
<i>Pass-Through Texas General Land Office</i>			
Community Development Block Grant	14.228	12-565-000-6859	1,833,044
Total U.S. Department of Housing and Urban Development			<u>1,833,044</u>
U.S. Department of Homeland Security			
<i>Passed through Texas Department of Public Safety-Division of Emergency Management</i>			
Homeland Security Fund	97.073		137,366
Emergency Management Performance Grants	97.042	14TX-EMPG-0453	63,199
Total U.S. Department of Homeland Security			<u>200,565</u>
U.S. Department of Children and Families			
Title IV-E Foster Care	93.658	24105139	1,077
Total U.S. Department of Children and Families			<u>1,077</u>
U.S. Department of Health and Human Services			
<i>Pass-Through Texas Department of State Health</i>			
Public Health Emergency Preparedness	93.069	2014-001222-00	16,030
Total U.S. Department of Health and Human Services			<u>16,030</u>
Total Federal Expenditures			<u>\$ 2,236,001</u>

SAN JACINTO COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2015

NOTE 1: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of San Jacinto County, Texas, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2: SUBRCIPIENTS

Federal awards provided to subrecipients are treated as expenditures when paid to the subrecipients. Of the expenditures presented in the Schedule, the County provided federal awards to subrecipients as follows:

<u>CFDA Numbe</u>	<u>Grant/Contract Number</u>	<u>Expenditures</u>
10.665	Schools and Roads - Grants to States - Title I	\$ 132,907
15.438	National Forest Acquired Lands	<u>52,378</u>
	Total Federal Awards Provided to Subrecipients	<u><u>\$ 185,285</u></u>