

NACOGDOCHES COUNTY, TEXAS

STATE SINGLE AUDIT REPORT

Year Ended September 30, 2014

NACOGDOCHES COUNTY, TEXAS

STATE SINGLE AUDIT REPORT

Year Ended September 30, 2014

Table of Contents

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
Independent Auditors' Report on Compliance for Each Major State Program; Report on Internal Control over Compliance; and report on the Schedule of Expenditures of State Awards Required by OMB A-133 and the State of Texas Uniform Grant Management Standards Chapter IV <i>Texas State Single Audit Circular</i>	3
Schedule of Findings and Questioned Costs	6
Schedule of Expenditures of State Awards	8
Notes on Accounting Policies for State Awards	9

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, 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, Texas (the "County") as of and for the year ended September 30, 2014, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 31, 2015.

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 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 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 charges 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 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 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
Nacogdoches County, Texas

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. The 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 31, 2015

whitleypenn.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF STATE AWARDS REQUIRED BY OMB A-133 AND THE STATE OF TEXAS UNIFORM GRANT MANAGEMENT STANDARDS CHAPTER IV TEXAS STATE SINGLE AUDIT CIRCULAR

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

Report on Compliance for Each Major State Program

We have audited Nacogdoches County, Texas' (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 and the State of Texas Uniform Grant Management Standards Chapter IV *Texas State Single Audit Circular* that could have a direct and material effect on each of the County's major state programs for the year ended September 30, 2014. The County's major 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 state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major 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 provisions of OMB circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the provisions of the State of Texas Uniform Grant Management Standards Chapter IV *Texas State Single Audit Circular*. 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 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 state program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

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

Opinion on Each Major State Program

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 state programs for the year ended September 30, 2014.

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 a major 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 state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State of Texas Uniform Grant Management Standards Chapter IV *Texas State Single Audit Circular*, 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 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 reasonable possibility that material noncompliance with a type of compliance requirement of a 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 program that is less than a material weakness in internal control over compliance, yet important enough to merit attention by those charges 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 OMB Circular A-133 and the State of Texas Uniform Grant Management Standards Chapter IV *Texas State Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.

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

***Report on Schedule of Expenditures of State Awards required by OMB A-133 and the State of Texas
Uniform Grant Management Standards Chapter IV Texas State Single Audit Circular***

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, 2014, 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 31, 2015, 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 State Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and the State of Texas Uniform Grant Management Standards Chapter IV *Texas State Single Audit Circular* and is not a required part of the 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 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 financial statements or to the 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 state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Whitley Penn LLP

Houston Texas
March 31, 2015

NACOGDOCHES COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2014

I. - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal Control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

State Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	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 .510(a) of OMB Circular A-133?	None

Identification of Major Programs:

<u>State Grant Number</u>	<u>Name of State Program</u>
CTIF-01-174	Transportation Infrastructure Fund Grant (TIF)

Dollar threshold used to distinguish between type A and type B State programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

NACOGDOCHES COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(continued)*

Year Ended September 30, 2014

II. - Financial Statement Findings

Not Applicable.

III. - State Award Findings and Questioned Costs

The audit disclosed no findings to be reported.

IV. - Status of Prior-Year Findings and Questioned Costs

There are no prior year findings.

V. - Views of Responsible Officials and Planned Corrective Action

Not Applicable.

NACOGDOCHES COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF STATE AWARDS

YEAR ENDED SEPTEMBER 30, 2014

State Grantors Number	State Grantor/ Program Title	Expenditures
	STATE AWARDS	
	Texas Office of Court Administration	
	Direct Program:	
212-14-174	<i>Indigent Defense Formula Grant</i>	80,770
	Total Texas Office of Court Administration	<u>80,770</u>
	Texas Attorney General's Office	
	Direct Programs:	
	<i>Crime Victims Compensation Fund Sexual Assault Exam Reimbursements (CVC)</i>	3,712
1442680	<i>Victim Coordinator and Liaison Grant-County Attorney's Office (VCLG)</i>	38,830
1446145	<i>Statewide Crime Victims Notification Service (SAVNS) Maintenance Grant [VINE]</i>	16,500
	Total Texas Attorney General's Office	<u>59,042</u>
	Texas Comptroller of Public Accounts	
	Direct Program:	
TX Occ Code Sec 1701.157	<i>Law Enforcement Officer Standards Education (LEOSE)</i>	5,186
	Total Texas Comptroller of Public Accounts	<u>5,186</u>
	Office of the Governor-Criminal Justice Division	
	Passed through the Deep East Texas Council of Governments:	
	<i>Law Enforcement Training Funds</i>	1,369
	Direct Program:	
2743601	<i>Security Grant - County Attorney</i>	6,207
	Total Office of the Governor-Criminal Justice Division	<u>7,576</u>
	Texas Department of Transportation	
	Direct Program:	
CTIF-01-174	<i>Transportation Infrastructure Fund Grant (TIF)</i>	451,651
	Total Texas Department of Transportation	<u>451,651</u>
	Total State Awards Requiring Single Audit Act Compliance	<u>\$ 604,225</u>

NACOGDOCHES COUNTY, TEXAS

NOTES ON ACCOUNTING POLICIES FOR STATE AWARDS

A. Basis of Accounting

Nacogdoches County, Texas accounts for awards under state programs primarily in the General and Special Revenue governmental funds.

In the Governmental funds, these programs are accounted for using a current financial resources measurement focus. 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 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. Expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited to reimbursement. Pass-through entity identifying numbers are presented where available.

State grants 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 deferred revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods.

B. Basis of Presentation

The accompanying schedule of expenditures of state awards (the "Schedule") includes the state grant activity of the County under programs of the state government for the year ended September 30, 2014. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 and the State of Texas Uniform Grant Management Standards Chapter IV *Texas State Single Audit Circular*. 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.