

MONTGOMERY COUNTY, TEXAS

SINGLE AUDIT REPORT

**For Fiscal Year Ended
September 30, 2014**

MONTGOMERY COUNTY, TEXAS

SINGLE AUDIT REPORT

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PATTILLO, BROWN & HILL, 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 County Judge
and Commissioners Court
Montgomery 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 Montgomery County, Texas (“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 16, 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 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.

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
March 16, 2015



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
REQUIRED BY OMB CIRCULAR A-133 AND THE STATE OF TEXAS
UNIFORM GRANT MANAGEMENT STANDARDS**

To the Honorable County Judge and
Commissioners Court
Montgomery County, Texas

Report on Compliance for Each Major Federal and State Program

We have audited Montgomery County, Texas' ("the County") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement and the State of Texas Uniform Grants Management Standards 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, 2014. 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the State of Texas *Uniform Grant Management Standards*. Those standards, OMB Circular A-133, and the State of Texas *Uniform Grant Management Standards* 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, 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 each major federal and 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 and 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*, 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 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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 16, 2015, 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 and the State of Texas *Uniform Grant Management Standards*. Accordingly, this report is not suitable for any other purpose.

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

Waco, Texas
March 16, 2015

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MONTGOMERY COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED SEPTEMBER 30, 2014

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grantor's ID Number	Federal Expenditures	Pass-through Amount to Subrecipients
<u>FEDERAL PROGRAMS</u>				
<u>U.S. Department of Agriculture</u>				
Direct Program				
National School Lunch/Breakfast Program	10.553	CEID: 01340	\$ 46,423	\$ -
Total U. S. Department of Agriculture			<u>46,423</u>	<u>-</u>
<u>U. S. Department of Housing and Urban Development</u>				
Direct Programs				
Community Development Block Grant, Year 9	14.218	B-06-UC-48-0006	200	-
Community Development Block Grant, Year 13	14.218	B-10-UC-48-0006	41,375	-
Community Development Block Grant, Year 14	14.218	B-11-UC-48-0006	478,500	-
Community Development Block Grant, Year 15	14.218	B-12-UC-48-0006	920,954	-
Community Development Block Grant, Year 16	14.218	B-13-UC-48-0006	<u>608,337</u>	<u>316,693</u>
Total Program 14.218			<u>2,049,366</u>	<u>316,693</u>
Emergency Shelter Grants Program, Year 3	14.231	E-12-UC-48-0006	1,096	85,585
Emergency Shelter Grants Program, Year 4	14.231	E-13-UC-48-0006	<u>180</u>	<u>142,553</u>
Total Program 14.231			<u>1,276</u>	<u>228,138</u>
Home Program, Year 9	14.239	M-11-UC-48-0235	7,138	-
Home Program, Year 10	14.239	M-12-UC-48-0235	78,552	-
Home Program, Year 11	14.239	M-13-UC-48-0235	<u>229,556</u>	<u>-</u>
Total Program 14.239			<u>315,246</u>	<u>-</u>
Total Direct Programs			<u>2,365,888</u>	<u>544,831</u>
Passed Through the Texas General Land Office				
Texas CDBG-DR Round 2, Phase 1	14.228	12-221-000-5521	17,416	-
Texas CDBG TDRA-DR Round 2, Phase 2	14.228	12-477-000-6642	129,199	-
CDBG Disaster Recovery Entitlement Program	14.228	10-5115-000-5096	<u>102,020</u>	<u>-</u>
Total Passed Through the Texas General Land Office			<u>248,635</u>	<u>-</u>
Total U. S. Department of Housing and Urban Development			<u>2,614,523</u>	<u>544,831</u>

MONTGOMERY COUNTY, TEXAS
(Continued)
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2014

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grantor's ID Number	Federal Expenditures	Pass-through Amount to Subrecipients
<u>U. S. Department of Justice</u>				
Direct Program				
State Criminal Alien Assistance Program	16.606	2014-AP-BX-0606	\$ 96,202	\$ -
Total Program 16.606			<u>96,202</u>	<u>-</u>
JAG Program Cluster				
Direct Program				
Edward Byrne Memorial Justice Assistance Grant	16.738	2012-DJ-BX-0112	26,052	-
Edward Byrne Memorial Justice Assistance Grant	16.738	2013-DJ-BX-0259	<u>9,811</u>	<u>-</u>
Total Program 16.738			<u>35,863</u>	<u>-</u>
Passed Through the State Criminal Justice Division				
Regional Communication Response Improvement Project	16.738	2783101	<u>122,583</u>	<u>-</u>
Total Passed Through the State Criminal Justice Division			<u>122,583</u>	<u>-</u>
Total JAG Program Cluster			<u>158,446</u>	<u>-</u>
Family Reunification Project	16.523	2444603	<u>14,044</u>	<u>-</u>
Total Program 16.523			<u>14,044</u>	<u>-</u>
Domestic Violence Prosecutor	16.588	2485603	64,697	-
Domestic Violence Prosecutor	16.588	2485604	<u>5,823</u>	<u>-</u>
Total Program 16.588			<u>70,520</u>	<u>-</u>
Total Passed Through the State Criminal Justice Division			<u>207,147</u>	<u>-</u>
Total U. S. Department of Justice			<u>339,212</u>	<u>-</u>
<u>U. S. Department of Transportation</u>				
Passed Through the Texas Department of Transportation				
Runway Extension 2	20.106	1212CONRO	6,488,260	-
Gated Vehicle Access Road	20.106	1112LONES	1,097	-
Wildlife Assessment Study	20.106	1212LONES	<u>2,391</u>	<u>-</u>
Total Program 20.106			<u>6,491,748</u>	<u>-</u>
FM 2978 Spring Creek to FM 1488	20.205	3050-02-016	<u>106,798</u>	<u>-</u>
Total Program 20.205			<u>106,798</u>	<u>-</u>

MONTGOMERY COUNTY, TEXAS
(Continued)
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2014

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grantor's ID Number	Federal Expenditures	Pass-through Amount to Subrecipients
<u>U.S. Department of Transportation (Continued)</u>				
Highway Safety Cluster				
Passed through the Texas Department of Transportation				
STEP - Speed FY 14	20.600	2014-MontgoSO-S-1YG-0007	\$ 31,012	\$ -
STEP - Impaired Driving Mobilization	20.601	2014-MontgoSO-IDM-00032	14,633	-
Total Highway Safety Cluster			<u>45,645</u>	<u>-</u>
Alcohol Traffic Safety & Drunk Driving Prevention Program	20.616	2014-MCDAO-G-7YG-0159	114,294	-
Total passed through Texas Department of Transportation			<u>6,758,485</u>	<u>-</u>
Passed Through the Houston-Galveston Area Council				
STEP - Impaired Driving Mobilization	20.601	TDOT.14.0601-12	10,142	-
STEP - Impaired Driving Mobilization	20.601	TDOT.14.0601-17	5,681	-
STEP - Impaired Driving Mobilization	20.601	TDOT.14.0601-18	4,057	-
Total Passed Through the Houston-Galveston Area Council			<u>19,880</u>	<u>-</u>
Total U. S. Department of Transportation			<u>6,778,365</u>	<u>-</u>
<u>U. S. Department of Health and Human Services</u>				
Passed Through the Texas Department of Family and Protective Services				
Foster Care Title IV-E - ADM	93.658	23940072	11,188	-
Foster Care Title IV-E	93.658	23940074	70,021	-
Total Passed Through the Texas Department of Family and Protective Services			<u>81,209</u>	<u>-</u>
Total Program 93.658			<u>81,209</u>	<u>-</u>
Total U. S. Department of Health and Human Services			<u>81,209</u>	<u>-</u>

MONTGOMERY COUNTY, TEXAS
(Continued)
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2014

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grantor's ID Number	Federal Expenditures	Pass-through Amount to Subrecipients
<u>Office of National Drug Control</u>				
Direct Program				
High Intensity Drug Trafficking Areas	95.001	G13HN0017A	\$ 23,008	\$ -
High Intensity Drug Trafficking Areas	95.001	G14HN0017A	<u>10,467</u>	<u>-</u>
Total Program 95.001			<u>33,475</u>	<u>-</u>
Total Office of National Drug Control			<u>33,475</u>	<u>-</u>
<u>U. S. Department of Homeland Security</u>				
Passed Through the Texas Division of Emergency Management				
State Homeland Security Program, 2012	97.008	EMW-2012-SS-00018-S01	472,278	-
State Homeland Security Program, 2013	97.067	EMW-2013-SS-00045	<u>964,490</u>	<u>-</u>
Total Passed Through the Texas Division of Emergency Management			<u>1,436,768</u>	<u>-</u>
Total U. S. Department of Homeland Security			<u>1,436,768</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 11,329,975</u>	<u>\$ 544,831</u>

MONTGOMERY COUNTY, TEXAS
(Continued)
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2014

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grantor's ID Number	Federal Expenditures	Pass-through Amount to Subrecipients
<u>STATE PROGRAMS</u>				
<u>Texas Department of Motor Vehicles</u>				
Motor Vehicle Salvage/Theft Reduction Program, Year 20		SA-T01-10059-14	\$ 360,923	\$ 77,377
Motor Vehicle Salvage/Theft Reduction Program, Year 21		SA-T01-10059-15	25,756	-
Total Department of Motor Vehicles			<u>386,679</u>	<u>77,377</u>
<u>Texas Department of Transportation</u>				
Routine Airport Maintenance Program		M1412CONRO	49,972	-
Total Texas Department of Transportation			<u>49,972</u>	<u>-</u>
<u>Texas Commission on Environmental Quality</u>				
Passed Through the Houston-Galveston Area Council				
Low Income Repair Assistance Program FY 14		5821220282	177,477	-
Total Texas Commission on Environmental Quality			<u>177,477</u>	<u>-</u>
<u>Texas Juvenile Justice Department</u>				
State Financial Assistance Contract		A-2014-170	1,408,593	-
State Financial Assistance Contract		C-2014-170	273,902	-
State Financial Assistance Contract		N-2014-170	185,779	-
State Financial Assistance Contract		P-2014-170	405,870	-
State Financial Assistance Contract		A-2015-170	77,078	-
State Financial Assistance Contract		N-2015-170	8,135	-
State Financial Assistance Contract		P-2015-170	30,798	-
Total Texas Juvenile Justice Department			<u>2,390,155</u>	<u>-</u>
<u>Texas State Office of the Attorney General</u>				
Statewide Automated Victim Information and Notification				
Systems Maintenance Grant, FY 14		1446111	25,406	-
Systems Maintenance Grant, FY 15		1555267	2,310	-
Total State Office of the Attorney General			<u>27,716</u>	<u>-</u>
<u>Texas Indigent Defense Commission</u>				
Indigent Defense Services - Formula Grant		212-14-170	742,327	-
Indigent Defense Workshop Travel		N/A	1,766	-
Montgomery County Managed Assigned Council Program				
Discretionary Grant		TFID-212-14-D04	144,412	-
Total Texas Indigent Defense Commission			<u>888,505</u>	<u>-</u>

MONTGOMERY COUNTY, TEXAS
(Continued)
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2014

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grantor's ID Number	Federal Expenditures	Pass-through Amount to Subrecipients
<u>Texas Department of Family and Protective Services</u>				
Foster Care Title IV-E - Concrete Services		23617441	708	-
Total Texas Department of Family and Protective Services			708	-
<u>General Appropriations Act "Rider 97" - Texas Department of State Health Services</u>				
Forensic Hospital Services		2014-044836-001A	\$ 14,128,844	\$ -
Forensic Hospital Services		2014-044836-001B	1,284,788	-
Total Texas Department of State Health Services			15,413,632	-
<u>State Criminal Justice Division</u>				
Drug Court Discretionary Grant		1604013	79,025	-
Drug Court Discretionary Grant		1604014	1,308	-
DWI Drug Court		2196105	119,684	-
DWI Drug Court		2196106	6,937	-
Power Recovery Court - Juvenile Drug Court		1947507	103,198	-
Security for County Attorney Office		2774501	13,887	-
Total State Criminal Justice Division			324,039	-
<u>The NRA Foundation</u>				
FY 2013 AMMO		N/A	2,881	-
Total NRA Foundation			2,881	-
Total Expenditures of State Awards			\$ 19,661,764	\$ 77,377
Total Expenditures of State and Federal Awards			\$ 30,991,739	\$ 622,208

MONTGOMERY COUNTY, TEXAS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

SEPTEMBER 30, 2014

1. GENERAL

The Schedule of Expenditures of Federal and State Awards presents the activity of all applicable federal and state award programs of Montgomery County, Texas. The County's reporting entity is defined in Note 1 of the basic financial statements. Federal and state awards received directly from federal and state agencies, as well as federal awards passed through other government agencies, are included on the Schedule of Expenditures of Federal and State Awards.

2. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal and State Awards is presented using the modified accrual basis of accounting. The County's significant account policies, including the modified accrual basis of accounting, are presented in Note 1 of the basic financial statements. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and the *State of Texas Single Audit Circular*. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

MONTGOMERY COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
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 programs	Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	None
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Program or Cluster</u>
20.106	Airport Improvement Program
97.008	State Homeland Security Program, 2012
State	Forensic Hospital Services

Dollar threshold used to distinguish between type A and type B federal programs	\$339,899
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Dollar threshold used to distinguish between type A and type B state programs	\$589,853
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Auditee qualified as low-risk auditee for federal single audit?	Yes
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Auditee qualified as low-risk auditee for state single audit?	Yes
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**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

MONTGOMERY COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

None

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