

GILLESPIE COUNTY, TEXAS

FEDERAL & STATE SINGLE AUDIT REPORT

Year Ended September 30, 2013

GILLESPIE COUNTY, TEXAS
FEDERAL AND STATE SINGLE AUDIT
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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**INDEPENDENT AUDITOR'S 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 Members
of the Commissioners' Court of
Gillespie County, Texas
Fredericksburg, TX 78624

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 Gillespie County, Texas (the "County"), as of and for the year ended September 30, 2013, 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 14, 2014.

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 Gillespie 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.

Neffendorf, Knopp, Doss + Company P.C.

NEFFENDORF, KNOPP, DOSS & COMPANY, P.C.
Fredericksburg, Texas

March 14, 2014

NEFFENDORF, KNOPP, DOSS & COMPANY, P.C.

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Honorable Judge and Members
of the Commissioners' Court of
Gillespie County, Texas
Fredericksburg, TX 78624

Report on Compliance for Each Major Federal and State Program

We have audited the compliance of Gillespie County, Texas (the "County") 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 Gillespie County, Texas' major federal and state programs for the year ended September 30, 2013. The County's major federal and state programs are identified in the summary of auditor's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Gillespie 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; 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 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 Gillespie County's compliance.

Opinion on Each Major Federal and State Program

In our opinion, Gillespie 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, 2013.

Report on Internal Control Over Compliance

Management of Gillespie 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 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 or state 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 of the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Gillespie 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 OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gillespie County, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise Gillespie County, Texas' basic financial statements. We issued our report thereon dated March 14, 2014, 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 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 statement 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purposes.

Neffendorf, Knopp, Dooss + Company, P.C.

NEFFENDORF, KNOPP, DOSS & COMPANY, P.C.

Fredericksburg, Texas

March 14, 2014

GILLESPIE COUNTY, TEXAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

I. Summary of the Auditor's Results:

- a. An unmodified opinion was issued on the financial statements of the County of Gillespie, Texas.
- b. There were no significant deficiencies or material weaknesses in internal control disclosed by the audit of the financial statements.
- c. The audit did not disclose any material noncompliance.
- d. There were no significant deficiencies or material weaknesses in internal control over major programs.
- e. An unmodified opinion was issued on compliance for major programs.
- f. The audit did not disclose any findings required to be reported under Section_510(a).
- g. The major programs tested were:

Grantor Agency	Name of Program or Cluster	Project #
Texas Department of Transportation	Land Reimbursement Runway Easement	1314FRDRG
Texas Department of Transportation	Land Reimbursement Runway Easement	1214FRDBE
Texas Department of Transportation	Airport Construction Project	1214FRBRG
Texas Department of Transportation	Airport Construction Project Drainage Study	1214FRDBG
Texas Department of Transportation	Routine Airport Maintenance Program	M214FRBRG

- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. The County of Gillespie, Texas qualified as a low risk auditee.

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

- None -

III. Findings and Questioned Costs for Federal and State Awards

- None -

GILLESPIE COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS/CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2013

- NONE -

GILLESPIE COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

FEDERAL/STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	Federal CFDA Number	Grantor's Pass-Through Number	Federal/State Expenditures
FEDERAL AWARDS			
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<u>Passed Through Office of Justice Programs</u>			
State Criminal Alien Assistance Program	16.606	2012-AP-BX-0551	\$ 33,076
Bulletproof Vest Partnership	16.607	2009-BU-BX-09047825	1,456
Total Passed Through Office of Justice Programs			<u>34,532</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>34,532</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<u>Passed Through Texas Department of Public Safety THSSAA</u>			
State Homeland Security Grant Program LETPA	97.073	EMW-2012-SS-00018-S01	75,248
Total Passed Through Texas Department of Public Safety THSSAA			<u>75,248</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>75,248</u>
TOTAL FEDERAL AWARDS			<u>109,780</u>
STATE AWARDS			
<u>TEXAS INDIGENT DEFENSE COMMISSION</u>			
Indigent Defense Formula Grant		212-12-086	3,899
Indigent Defense Formula Grant		212-13-086	13,328
TOTAL TEXAS INDIGENT DEFENSE COMMISSION			<u>17,227</u>
<u>OFFICE OF THE ATTORNEY GENERAL</u>			
Statewide Automated Victim Notification Services (SAVNS)		1336775	6,530
TOTAL OFFICE OF THE ATTORNEY GENERAL			<u>6,530</u>
<u>TEXAS DEPARTMENT OF TRANSPORTATION</u>			
Land Reimbursement Runway Easement		1314FRDBG	263,385
Land Reimbursement Runway Easement		1214FRDBE	180,000
Airport Construction Project		1214FRBRG	205,096
Airport Construction Project Drainage Study		1214FRDBG	53,292
Routine Airport Maintenance Program		M214FRBRG	2,859
TOTAL TEXAS DEPARTMENT OF TRANSPORTATION			<u>704,632</u>
TOTAL STATE AWARDS			<u>728,389</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			<u>\$ 838,169</u>

GILLESPIE COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2013

1. For all Federal and State programs, the County uses the fund types specified by the Governmental Accounting Standards Board. The General Fund is the chief operating fund of the government and is used to account for all financial resources not accounted for in some other fund. Special Revenue funds are a governmental fund type used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects and exclusive of resources held in trust for individuals, private organizations, or other governments. Capital Project funds are a governmental fund type used to account for financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets and exclusive of resources held in trust for individuals, private organizations, or other governments. Generally, federal and state financial assistance is accounted for in the General Fund, Special Revenue Funds, or Capital Project Funds.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Expendable Trust Funds are accounted for using a current financial resources measurement focus. All Federal and State grant funds were accounted for in the General Fund, Capital Projects Fund, or in a Special Revenue Fund, which are all Governmental Fund types. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types, the Expendable Trust Funds, and Agency 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 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.

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 and state project period extended 30 days beyond the federal and state project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.