

SINGLE AUDIT REPORTS
CHAMBERS COUNTY, TEXAS

For the Year Ended
December 31, 2010

CHAMBERS COUNTY, TEXAS

SINGLE AUDIT REPORTS

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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

September 2, 2011

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chambers County, Texas (the "County") as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 2, 2011. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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 County's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting. This finding is item 2010-1. 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of 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*.

We noted certain other matters that we reported to management of the County in a separate letter dated September 2, 2011.

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

The logo features the names 'BELT HARRIS PECHACEK, LLP' in a decorative, calligraphic font. The letters are intertwined and highly stylized, with 'B', 'H', and 'P' being particularly large and ornate.

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM, INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133,
AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

September 2, 2011

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

Compliance

We have audited Chambers County's (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* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2010. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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 our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

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 federal programs for the year ended December 31, 2010

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Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chambers County, Texas, (the "County") as of and for the year ended December 31, 2010, and have issued our report thereon dated September 2, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purposes of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas

CHAMBERS COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2010

A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS

No prior year findings.

CHAMBERS COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2010

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Chambers County, Texas.
2. Significant deficiencies in internal control were disclosed by the audit of the basic financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. Significant deficiencies in internal control over major federal award programs were not disclosed by the audit.
5. The auditors' report on compliance for the major federal award programs expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs for the County are reported in Part C of this schedule.
7. The programs included as major programs are:

Disaster Grants - Public Assistance	97.036
Community Development Block Grant	14.228
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The County did not qualify as a low-risk auditee.

B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT

CURRENT YEAR MATTERS

Significant Deficiencies:

2010-1. JUSTICE OF THE PEACE COURT - DOCUMENTATION

Condition

During our testing of Justice of the Peace Court transactions, we noted that Justice of the Peace #5 was unable to comply with request to view deposit information on the citations requested due to a bat infestation.

Effect

The lack of monitoring over citation deposits increases the risk that clerks collecting payments from defendants may have fraudulent activity and improprieties occur as well as storage of important court documents.

Cause

The County did not effectively monitor the decentralized Court functions and ensure that citation deposit documents were well stored and accessible.

CHAMBERS COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the Year Ended December 31, 2010

Criteria

The County needs to have strong internal controls in place to accurately process, record, and protect citations deposits according to state statutes on record retention.

Recommendation

The County should ensure that citation deposits have proper back up in the event of a disaster and the original records are accessible.

Corrective Action Plan

The County auditor will put procedures in place to ensure that citation deposits are secured and backed up in the event of a disaster during the next fiscal year.

C. FINDINGS - FEDERAL AUDIT AWARDS

None.

CHAMBERS COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2010 (page 1 of 3)

Federal Grantor/Pass Through Grantor/Program or Cluster Title	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
DEPARTMENT OF AGRICULTURE			
<i>Passed through Texas Department of State Health Services:</i>			
Special Supplemental Nutrition Program for Women, Infants, and Children/2010	7460000361-2010	10.557	\$ 113,868
Special Supplemental Nutrition Program for Women, Infants, and Children/2011	7460000361-2011	10.557	<u>38,368</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>152,236</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed through Brazos Valley Community Action Agency (BVCAA):</i>			
Community Services Block Grant/Jan. - Dec. 2010	N/A	93.569	<u>50,000</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>50,000</u>
DEPARTMENT OF HOMELAND SECURITY			
<i>Passed through Texas Department of Public Safety's Division of Emergency Management:</i>			
Disaster Grants - Public Assistance	FEMA 1791 DR TX	97.036	441,051
State Homeland Security Program 2010 EMPG	10TX-EMPG-0377	97.042	37,928
State Homeland Security Program 2011 EMPG	11TX-EMPG-0377	97.042	<u>12,642</u>
Subtotal for CFDA Number			<u>50,570</u>
State Homeland Security Program 2008 SHSP	2008SHSP-48071	97.073	31,707
State Homeland Security Program 2009 SHSP	2009SHSP-48071	97.073	<u>76,628</u>
Subtotal for CFDA Number			<u>108,335</u>
State Homeland Security Program 2008 CCP	2008CPP-48071	97.053	2,784

CHAMBERS COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2010 (page 2 of 3)

Federal Grantor/Pass Through Grantor/Program or Cluster Title	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
<i>Passed through Texas Department of Transportation:</i>			
Emergency Food and Shelter/2010 Phase 28	793800-001	97.114	21,493
TOTAL DEPARTMENT OF HOMELAND SECURITY			<u>624,233</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through Texas Department of Housing and Community Affairs:</i>			
Community Development Block Grant - Housing	70090010	14.228	4,007
<i>Passed through Texas Department of Rural Affairs:</i>			
Community Development Block Grant - NonHousing	DRS010024	14.228	1,449,921
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>1,453,928</u>
DEPARTMENT OF INTERIOR			
<i>Passed through Texas Parks & Wildlife Commission:</i>			
Sport Fish & Restoration, Boating Access	N/A	15.605	11,941
TOTAL DEPARTMENT OF INTERIOR			<u>11,941</u>
DEPARTMENT OF TRANSPORTATION			
<i>Passed through Texas Department of Transportation:</i>			
Routine Airport Maintenance Program - Anahuac 2010	M020ANAHC	20.106	6,611
Routine Airport Maintenance Program - Anahuac 2011	M120ANAHC	20.106	8,150
Routine Airport Maintenance Program - Winnie 2010	M020WNNIE	20.106	12,412
Routine Airport Maintenance Program - Winnie 2011	M120WNNIE	20.106	7,144
Texas Traffic Safety Program Grant (2010 STEP-OP)	(10)05-05-A1-AA	20.600	44,729
TOTAL DEPARTMENT OF TRANSPORATION			<u>79,046</u>

CHAMBERS COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2010 (page 3 of 3)

Federal Grantor/Pass Through Grantor/Program or Cluster Title	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
DEPARTMENT OF JUSTICE			
<i>Passed through Governor's Division of Criminal Justice:</i>			
Crime Victim Assistance	VA-08-V30-1908803	16.575	14,214
Crime Victim Assistance	VA-09-V30-1908804	16.575	7,226
Subtotal for CFDA Number			21,440
<i>Passed through Office of Justice Programs</i>			
FY 2010 State Criminal Alien Assistance Program	2010-AP-BX-0402	16.606	15,795
ARRA - Violence Against Women	EF-09-V30-2410801	16.588	16,780
TOTAL DEPARTMENT OF JUSTICE			54,015
GENERAL SERVICES ADMINISTRATION			
<i>Passed through Texas General Services Commission:</i>			
Donation of Federal Surplus Personal Property	N/A	39.003	246,329
TOTAL GENERAL SERVICES ADMINISTRATION			246,329
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION			
<i>Passed through Texas Parks and Wildlife Department:</i>			
Hurricane Ike Fishery Disaster Program	NAO9NMF4520023	11.477	20,256
TOTAL NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION			20,256
TOTAL FEDERAL EXPENDITURES			\$ 2,691,984

CHAMBERS COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2010

NOTE 1: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Chambers 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.