

**MONTGOMERY
COUNTY, TEXAS**

FEDERAL SINGLE AUDIT REPORT

FOR THE YEAR ENDED

SEPTEMBER 30, 2016

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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 County Judge
and County Commissioners and Management of
Montgomery County
P.O. Box 539
Conroe, Texas 77305-0539

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Montgomery County, Texas (County) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise County's basic financial statements, and have issued our report thereon dated March 22, 2017.

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 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 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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*.

To The Honorable County Judge
and County Commissioners and Management of
Montgomery County, Texas

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.

Yours truly,

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
March 22, 2017

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS REQUIRED BY THE UNIFORM GUIDANCE AND TEXAS UNIFORM GRANT MANAGEMENT STANDARDS

To The Honorable County Judge
and County Commissioners and Management of
Montgomery County
P.O. Box 539
Conroe, Texas 77305-0539

Report on Compliance for Each Major Federal and State Program

We have audited Montgomery County, Texas’s (County) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* 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, 2016. 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 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; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Texas Uniform Grant Management Standards. Those standards and the Uniform Guidance 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 and 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, 2016.

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

To The Honorable County Judge
and County Commissioners and Management of
Montgomery County, Texas

major federal and state program as a basis for designing 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 the Uniform Guidance and 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 federal and state programs 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 and state programs 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 and 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 the Uniform Guidance and Texas Uniform Grant Management Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of and for the year ended September 31, 2016 and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 22, 2017, 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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the Uniform Guidance) and Texas Uniform Grant Management Standards, 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 and state awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Purpose of this Report

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 the Uniform Guidance and Texas Uniform Grant Management Standards. Accordingly, this report is not suitable for any other purpose.

Yours truly,

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
March 22, 2017

MONTGOMERY COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

<u>Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA # Number</u>	<u>Project Number</u>	<u>Grant Funds Expended</u>	<u>Pass-Through Amount to Subrecipients</u>
<u>FEDERAL FUNDING:</u>				
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Child Nutrition Cluster:				
Direct Program:				
<i>National School Lunch Program (15-16SY)</i>	10.555	CEID: 01340	\$ 29,711	\$ -
<i>National School Lunch Program (16-17SY)</i>	10.555	CEID: 01340	7,585	-
Total Program 10.555			<u>37,296</u>	<u>-</u>
<i>National School Breakfast Program (15-16SY)</i>	10.553	CEID: 01340	19,926	-
<i>National School Breakfast Program (16-17SY)</i>	10.553	CEID: 01340	4,998	-
Total Program 10.553			<u>24,924</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>62,220</u>	<u>-</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Direct Program:				
<i>Community Development Block Grant</i>	14.218	B-10-UC-48-0006	85,011	-
<i>Community Development Block Grant</i>	14.218	B-11-UC-48-0006	640	-
<i>Community Development Block Grant</i>	14.218	B-12-UC-48-0006	5,093	-
<i>Community Development Block Grant</i>	14.218	B-13-UC-48-0006	245,580	-
<i>Community Development Block Grant</i>	14.218	B-14-UC-48-0006	122,361	-
<i>Community Development Block Grant</i>	14.218	B-15-UC-48-0006	860,294	291,263
Total Program 14.218			<u>1,318,979</u>	<u>291,263</u>
<i>Emergency Shelter Grants Program (ESGP)</i>	14.231	E-15UC-48-0006	7,316	182,095
Total Program 14.231			<u>7,316</u>	<u>182,095</u>
<i>Home Program</i>	14.239	M-12-UC-48-0235	140,220	-
<i>Home Program</i>	14.239	M-13-UC-48-0235	27,706	-
<i>Home Program</i>	14.239	M-14-UC-48-0235	69,871	-
<i>Home Program</i>	14.239	M-15-UC-48-0235	93,352	-
Total Program 14.239			<u>331,149</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>1,657,444</u>	<u>473,358</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Direct Program:				
<i>State Criminal Alien Assistance Program</i>	16.606	2016-AP-BX-0239	95,761	-
<i>Byrne Memorial Justice Assistance Grant</i>	16.751	2015-DJ-BX-0833	40,823	-
<i>Federal Equitable Sharing</i>	16.922	TX1700000	75,631	-
Passed Through the State Criminal Justice Division:				
<i>Child Victim Coordinator Project</i>	16.575	2872001	76,504	-
<i>Domestic Violence Prosecutor</i>	16.588	2485605	72,828	-
<i>Domestic Violence Prosecutor</i>	16.588	2485606	6,724	-
Total Program 16.588			<u>79,552</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>368,271</u>	<u>-</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Passed Through the State Department of Transportation:				
<i>Runway 14-32 Extension</i>	20.106	1012CONRO	12,191	-
<i>Wildlife Assessment Study</i>	20.106	1212LONES	7,514	-
<i>Runway Extension 2</i>	20.106	1212CONRO	746,120	-
<i>Airport Master Plan</i>	20.106	16MPCONRO	65,393	-
<i>Runway Incursion Mitigation Grant</i>	20.106	1612CNROE	13,380	-
Total Program 20.106			<u>844,598</u>	<u>-</u>
<i>FM2978- Spring Creek to FM 1488</i>	20.205	3050-02-016	2,695	-
<i>249 Ext & FM 2978 Widening - Wetlands Mitigation</i>	20.205	3050-02-024	10,110,000	-
<i>Urban Mobility/Rehab Project</i>	20.205	0912-37-140	1,899,939	-
Total Program 20.205			<u>12,012,634</u>	<u>-</u>

The accompanying notes are an integral part of this schedule.

MONTGOMERY COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

<u>Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA # Number</u>	<u>Project Number</u>	<u>Grant Funds Expended</u>	<u>Pass-Through Amount to Subrecipients</u>
Highway Safety Cluster:				
Passed Through the State Department of Transportation:				
STEP-Speed FY 16	20.600	2016-MontogSO-S-1YG-0035	46,329	-
STEP-Impaired Driving Mobilization	20.601	2016-MontgoSO-IDM-00033	3,706	-
Passed Through the Houston-Galveston Area Council:				
STEP-Impaired Driving Mobilization	20.601	TDOT.16.0601-01	5,544	-
STEP-Impaired Driving Mobilization	20.601	TDOT.16.0601-02	6,000	-
Passed Through the State Department of Transportation:				
Alcohol Traffic Safety & Drunk Driving Prevention Incentive	20.616	2016-MCDAO-G-1YG-0014	137,455	-
Total Highway Safety Cluster			<u>199,034</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>13,056,266</u>	<u>-</u>
<u>U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES</u>				
Passed Through the State Library and Archives Commission:				
Interlibrary Loan Lending Reimbursement Program	45.310	LS-00-15-0044-15	16,233	-
TOTAL U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES			<u>16,233</u>	<u>-</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Passed Through the State Juvenile Justice Department:				
Foster Care Title IV-E	93.658	E-2016-170	20,223	-
Passed Through the State Department of Family and Protective Services:				
Foster Care Title IV-E (ADM)	93.658	23940072	5,276	-
Foster Care Title IV-E	93.658	23940074	76,881	-
Total Passed Through the State Department of Family and Protective Services			<u>82,157</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>102,380</u>	<u>-</u>
<u>EXECUTIVE OFFICE OF THE PRESIDENT</u>				
Direct Program:				
High Intensity Drug Trafficking Areas	95.001	G14HN0017B	14,077	-
High Intensity Drug Trafficking Areas	95.001	G15HN0017A	15,918	-
High Intensity Drug Trafficking Areas	95.001	G16HN0017A	1,051	-
TOTAL EXECUTIVE OFFICE OF THE PRESIDENT			<u>31,046</u>	<u>-</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Passed Through the State Division of Emergency Management:				
April Severe Weather Public Assistance Grant Program	97.036	FEMA-DR-4269-TX	461,053	-
May Severe Weather Public Assistance Grant Program	97.036	FEMA-DR-4272-TX	1,268,805	-
Total Program 97.036			<u>1,729,858</u>	<u>-</u>
Passed Through the State Division of Emergency Management:				
State Homeland Security Program	97.067	EMW-2014-SS-00029	717,334	-
Passed Through the State Criminal Justice Division:				
HSGP-Montgomery County Community Preparedness	97.067	2976301	71,948	-
HSGP- Montgomery County Law Enforcement Sustainment	97.067	2976501	35,477	-
HSGP- Montgomery County Law Enforcement PPE	97.067	2976601	125,352	-
HSGP- Montgomery County Regional Technology Sustainment	97.067	2976701	81,500	-
HSGP- Montgomery County EOC Sustainment	97.067	2976901	29,407	-
HSGP- Montgomery County Regional Planners	97.067	2977101	147,258	-
HSGP- Montgomery County M&A	97.067	2986501	13,780	-
Total Passed Through the State Criminal Justice Division			<u>504,722</u>	<u>-</u>
Total Program 97.067			<u>1,222,056</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>2,951,914</u>	<u>-</u>
TOTAL FEDERAL FUNDING			<u>18,245,774</u>	<u>473,358</u>

The accompanying notes are an integral part of this schedule.

MONTGOMERY COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AND LOCAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

EXHIBIT K-1

Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA # Number	Project Number	Grant Funds Expended	Pass-Through Amount to Subrecipients
<u>STATE FUNDING:</u>				
<u>TEXAS CRIMINAL JUSTICE DIVISION</u>				
Direct Program:				
<i>Drug Court Discretionary Grant - Byrne Formula</i>	N/A	1604015	42,001	-
<i>DWI Drug Court</i>	N/A	2196107	100,147	-
<i>Veteran's Court Program</i>	N/A	3023301	200	-
TOTAL TEXAS CRIMINAL JUSTICE DIVISION			142,348	-
<u>TEXAS DEPARTMENT OF MOTOR VEHICLES</u>				
Direct Program:				
<i>Motor Vehicle Salvage/Theft Reduction Inspn-22</i>	N/A	608-16-1700000	230,828	132,824
<i>Motor Vehicle Salvage/Theft Reduction Inspn-23</i>	N/A	608-17-1700000	20,529	-
TOTAL TEXAS DEPARTMENT OF MOTOR VEHICLES			251,357	132,824
<u>TEXAS DEPARTMENT OF TRANSPORTATION</u>				
Direct Program:				
<i>Routine Airport Maintenance Program</i>	N/A	M1612CONRO	49,414	-
TOTAL TEXAS DEPARTMENT OF TRANSPORTATION			49,414	-
<u>TEXAS COMMISSION ON ENVIRONMENTAL QUALITY</u>				
Direct:				
<i>LIRAP-Local Initiative Project</i>	N/A	582-14-40131	300,412	-
Passed Through Houston Galveston Area Council:				
<i>Low Income Repair Assistance Program</i>	N/A	5821220282	1,366,787	-
TOTAL TEXAS COMMISSION ON ENVIRONMENTAL QUALITY			1,667,199	-
<u>TEXAS JUVENILE JUSTICE DEPARTMENT</u>				
Direct Program:				
<i>State Financial Assistance Contract</i>	N/A	A-2016-170	1,625,373	-
<i>State Financial Assistance Contract</i>	N/A	A-2017-170	91,292	-
<i>State Financial Assistance Contract</i>	N/A	P-2016-170	395,821	-
<i>State Financial Assistance Contract</i>	N/A	P-2017-170	25,689	-
TOTAL TEXAS JUVENILE JUSTICE DEPARTMENT			2,138,175	-
<u>TEXAS STATE OFFICE OF THE ATTORNEY GENERAL</u>				
Direct Program:				
<i>SAVNS Maintenance Grant, FY 16</i>	N/A	1660240	25,406	-
<i>SAVNS Maintenance Grant, FY 17</i>	N/A	1771443	2,309	-
TOTAL TEXAS STATE OFFICE OF THE ATTORNEY GENERAL			27,715	-
<u>TEXAS INDIGENT DEFENSE COMMISSION</u>				
Direct Program:				
<i>Indigent Defense Services - Formula Grant</i>	N/A	212.16-170	499,267	-
<i>Indigent Defense Techshare Grant</i>	N/A	212-14-D09	36,449	-
<i>Supplemental Capital Defense Formula Grant</i>	N/A	212-16-170SC	34,245	-
TOTAL TEXAS INDIGENT DEFENSE COMMISSION			569,961	-
<u>TEXAS DEPARTMENT OF FAMILY AND PROTECTIVE SERVICES</u>				
Direct Program:				
<i>Foster Care Title IV-E - Concrete Services</i>	N/A	24184806	395	-
TOTAL TEXAS DEPARTMENT OF FAMILY AND PROTECTIVE SERVICES			395	-

The accompanying notes are an integral part of this schedule.

MONTGOMERY COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AND LOCAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

<u>Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA # Number</u>	<u>Project Number</u>	<u>Grant Funds Expended</u>	<u>Pass-Through Amount to Subrecipients</u>
<u>GENERAL APPROPRIATIONS ACT- "RIDER 97"</u>				
Texas Department of State Health Services:				
<i>Forensic Hospital Services</i>	N/A	2016-048567	14,201,806	-
<i>Forensic Hospital Services</i>	N/A	2016-048567B	1,091,169	-
Total Texas Department of State Health Services			15,292,975	-
TOTAL GENERAL APPROPRIATIONS ACT- "RIDER 97"			15,292,975	-
TOTAL STATE FUNDING			20,139,539	132,824
<u>LOCAL FUNDING:</u>				
<u>THE NRA FOUNDATION</u>				
Direct Program:				
<i>FY 2014 Equipment Purchase</i>	N/A	15TXS50	4,560	-
<i>FY 2016 Ammo Purchase</i>	N/A	16TXS033	2,460	-
TOTAL THE NRA FOUNDATION			7,020	-
<u>MONTGOMERY COUNTY EMERGENCY COMMUNICATION DISTRICT</u>				
Direct Program:				
<i>PSAP Improvement Plan</i>	N/A	N/A	111,110	-
TOTAL MONTGOMERY COUNTY EMERGENCY COMMUNICATION DISTRICT			111,110	-
<u>EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT</u>				
Direct Program:				
<i>EMCID Sallas Park- Basketball Courts</i>	N/A	N/A	10,576	-
<i>EMCID Traffic Sensors</i>	N/A	N/A	11,513	-
TOTAL EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT			22,089	-
<u>CRIMESTOPPERS</u>				
Direct Program:				
<i>Electronic Detection K9</i>	N/A	N/A	10,959	-
TOTAL CRIMESTOPPERS			10,959	-
<u>HOUSTON-GALVESTON AREA COUNCIL</u>				
Direct Program:				
<i>Regional Juvenile Mental Health Services, FY 16</i>	N/A	N/A	13,433	-
TOTAL HOUSTON-GALVESTON AREA COUNCIL			13,433	-
TOTAL LOCAL FUNDING			164,611	-
GRAND TOTAL ALL FUNDING			\$ 38,549,924	606,182

The accompanying notes are an integral part of this schedule.

MONTGOMERY COUNTY, TEXAS

*NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016*

Note 1 – Basis of Accounting

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of Montgomery County, Texas. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund types are accounted for using a current financial resources measurement focus. All federal and state grant funds were accounted for in special revenue funds, capital project funds, (components of the governmental fund type), or the general fund. 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 resources) 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.

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

MONTGOMERY COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

SECTION I – SUMMARY OF AUDITORS’ RESULTS	
FINANCIAL STATEMENTS	
1. Type of auditors’ report issued	Unmodified
2. Internal Control over Financial Reporting:	
a. Material Weakness(es) identified?	No
b. Significant Deficiency(ies) identified that are not considered to be material weaknesses?	None reported
3. Noncompliance material to Financial Statements noted?	No
FEDERAL AND STATE AWARDS	
4. Internal control over major programs:	
a. Material Weakness(es) identified?	No
b. Significant Deficiency(ies) identified that are not considered to be material weaknesses?	None reported
5. Type of auditors’ report issued on compliance with major programs	Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Uniform Guidance and Texas Uniform Grant Management Standards?	No
7. Identification of Major Federal Programs	20.205 Highway Planning and Construction - Urban Mobility/Rehab Project 97.036 Disaster Grant - April Severe Weather Public Assistance Grant Program 97.036 Disaster Grant - May Severe Weather Public Assistance Grant Program
8. Identification of Major State Programs	Low Income Repair Assistance Program Indigent Defense Grant Texas Juvenile Probation Commission
9. Dollar Threshold used to Distinguish Between Type A and Type B Federal Programs	\$750,000
10. Dollar Threshold used to Distinguish Between Type A and Type B State Programs	\$604,186
11. Auditee Qualified as a Low-Risk Auditee?	Yes
SECTION II –FINANCIAL STATEMENT FINDINGS	
None reported	
SECTION III –FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS	
None reported	

MONTGOMERY COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

PRIOR YEAR FINDINGS

None reported