

WALLER COUNTY, TEXAS
SINGLE AUDIT REPORTS AND SCHEDULES
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2021

WALLER COUNTY, TEXAS
Single Audit Reports and Schedules
Year Ended December 31, 2021
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RUTLEDGE CRAIN & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT ON
THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Honorable Judge and County Commissioners Comprising the
Commissioner's Court of Waller County
Hempstead, Texas

Report on the Audit of the Schedule of Expenditures of Federal Awards

Opinion on Each Major Federal Program

We have audited the schedule of expenditures of federal awards of Waller County, Texas (the "County") for the year ended December 31, 2021, and the related notes (the schedule).

In our opinion, the accompanying schedule of expenditures of federal awards presents fairly, in all material respects, the expenditures of federal awards of the County for the year ended December 31, 2021, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedule section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Schedule

Management is responsible for the preparation and fair presentation of the schedule in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the schedule.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the schedule, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the schedule.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the schedule.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Rutledge Crain & Company, PC

July 25, 2022

RUTLEDGE CRAIN & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS

3214 W Park Row, Suite E
Pantego, Texas 76013

**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 Judge and County Commissioners Comprising the
Commissioner's Court of Waller County
Hempstead, 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 Waller County, Texas (the "County"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July XX, 2021.

Report on 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) as a basis for designing 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.

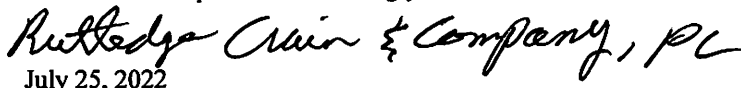
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on 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 financial statements. 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.


July 25, 2022

RUTLEDGE CRAIN & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS
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Pantego, Texas 76013

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE*

To the Honorable Judge and County Commissioners Comprising the
Commissioner's Court of Waller County
Hempstead, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Waller County, Texas' (the "County") compliance with the types of compliance requirements identified as subject to audit in the OMB *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 2021. The County's major federal program was Community Development Block Grants, CFDA 14.228, Hurricane Harvey Infrastructure. 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 its major federal program for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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. 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 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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. Accordingly, this report is not suitable for any other purpose.

Rutledge Crain & Company, PC

July 25, 2022

WALLER COUNTY, TEXAS
Schedule of Prior Audit Findings
December 31, 2021

Not applicable

WALLER COUNTY, Texas
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2021

I. Summary of Auditors' Results

The auditors' report expresses an unmodified opinion on the financial statements.

No reportable conditions were disclosed during the audit of the financial statements.

No instances of noncompliance material to the financial statements of Waller County, Texas were disclosed during the audit.

No reportable conditions in the internal control over major federal award programs were disclosed during the audit.

The auditors' report on compliance for the major federal award programs for Waller County, Texas expresses an unmodified opinion on all major programs.

Audit findings are reported in accordance with the General Guidance.

The programs tested as major programs included:

- Community Development Block Grants, CFDA 14.228, Hurricane Harvey Infrastructure

The threshold used to distinguish between Type A and Type B federal programs was \$750,000.

The County was qualified as a low-risk auditee.

The County did not elect to use the 10% de minimis indirect cost rate

II. Findings Related to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards.

No findings to be reported.

III. Findings and Questioned Costs for Federal Awards

No findings to be reported.

Prior Year Financial Statement, Federal Award Findings and Questioned Costs

N/A

Corrective Action Plan

N/A

WALLER COUNTY, TEXAS
Corrective Action Plan
December 31, 2021

Not applicable

WALLER COUNTY, TEXAS
Schedule of Expenditures of Federal Awards
December 31, 2021

Federal Grant /Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Audit Period Receipts	Passed Through to Subrecipients	Current Period Expenditures
Direct Grants					
<u>U. S. Department of Justice</u>					
Gulf States Law Enforcement Technology Initiative	16.843	2020-RZ-BX-0003	\$ 58,820	\$ -	\$ 33,389
Equitable Sharing Agreement and Certification	16.922	TX2370000	-	-	38,879
Total U. S. Department of Justice			<u>58,820</u>	<u>-</u>	<u>72,268</u>
<u>United States Department of the Treasury</u>					
American Relief Plan Act	21.027	Unknown	5,365,444	-	475,033
Total U. S. Department of the Treasury			<u>5,365,444</u>	<u>-</u>	<u>475,033</u>
Total Direct Federal Grants			<u>5,424,264</u>	<u>-</u>	<u>547,301</u>
Indirect Grants					
<u>U. S. Department of Housing and Urban Development</u>					
<u>Passed Through Texas General Land Office</u>					
Community Development Block Grant (GLO)					
Harvey Buyout Program	14.228	20-066-011-C074	36,822	-	9,750
Harvey Infrastructure Program	14.228	20-065-062-C180	1,060,683	-	1,963,038
Total U. S. Department of Housing and Urban Development			<u>1,097,505</u>	<u>-</u>	<u>1,972,788</u>
<u>United States Department of Transportation</u>					
<u>Passed Through Texas Dept of Transportation</u>					
State and Community Highway Safety	20.600	2020-WallerCOCO S 5-1YG-00138	15,846	-	15,846
Total U. S. Department of Transportation			<u>15,846</u>	<u>-</u>	<u>15,846</u>
<u>United States Department of the Treasury</u>					
<u>Passed Through Texas Secretary of State</u>					
COVID-19 Coronavirus Relief Fund (CRF)	21.019	5750223	1,287,484	-	-
Total U. S. Department of the Treasury			<u>1,287,484</u>	<u>-</u>	<u>-</u>
<u>U.S. Dept. of Homeland Security</u>					
<u>Passed Through Texas Department of Emergency Management</u>					
Emergency Management Performance Grant - Waller County COVID-19 Testing	97.036	PA-06-TX-4885	-	-	96,634
Emergency Management Performance Grant - Hurricane Harvey	97.036	EMT-2020-EP-00004	29,722	-	-
Total Department of Homeland Security			<u>29,722</u>	<u>-</u>	<u>96,634</u>
Total Indirect Federal Grants			<u>2,430,557</u>	<u>-</u>	<u>2,085,268</u>
TOTAL FEDERAL GRANTS			<u>\$ 7,854,821</u>	<u>\$ -</u>	<u>\$ 2,632,569</u>

Major Grants

WALLER COUNTY, TEXAS
Notes to Expenditures of Federal Awards
December 31, 2021

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of Waller County, Texas (the "County"). The County's reporting entity is defined in Note 1 to the County's basic financial statements. All federal awards received directly by the primary government from federal agencies, as well as federal awards passed through other government agencies, are included in the scope of the *Uniform Guidance*, and are included on the Expenditures of Federal Awards.

Basis of Accounting

The accompanying Schedules of Expenditures of Federal Awards are presented using the modified accrual basis of accounting for governmental funds, which is described in Note 1 of the County's Comprehensive Annual Financial Report. For grants that permitted inclusion indirect costs, the County did not make an election to use the 10% de minimis indirect cost rate.

B - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying Schedules of Expenditures of Federal Awards may not agree with the amounts reported in the related federal financial reports filed with grantor agencies because those reports are filed on the cash basis.

C - CONTINGENCIES

The County participates in several federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2021 may be impaired. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants.