



July 16, 2020

Nueces County, Texas
Attention: Honorable County Judge Barbara Canales
901 Leopard St.
Corpus Christi, Texas 78401

You have requested that we audit the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Nueces County, Texas, as of September 30, 2020, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Nueces County, Texas' basic financial statements as listed in the table of contents. In addition, if required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), we will audit the Nueces County, Texas' compliance over major federal and state award programs for the period ended September 30, 2020. Similarly, if required by the *State of Texas Uniform Grant Management Standards*, we will audit the Nueces County, Texas' compliance over major state award programs for the period ended September 30, 2020.

We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audits will be conducted with the objectives of our expressing an opinion on each opinion unit and an opinion on compliance regarding the Nueces County, Texas' major federal and state award programs.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and certain pension related information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by accounting principles generally accepted in the United States of America. This RSI will be subjected to certain limited procedures but will not be audited:

- Management's Discussion and Analysis.
- Schedule of Changes in Net Pension and Related Ratios.
- Schedule of Employer Pension Contributions.

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Supplementary information other than RSI will accompany Nueces County, Texas' basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. We intend to provide an opinion on the following supplementary information in relation to the financial statements as a whole:

- Combining and individual fund financial statements and schedules.

Schedule of Expenditures of Federal and State Awards

We will subject the Schedule of Expenditures of Federal and State Awards to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling the schedule to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. We intend to provide an opinion on whether the Schedule of Expenditures of Federal and State Awards is presented fairly in all material respects in relation to the financial statements as a whole.

Also, the document we submit to you will include the following other additional information that will not be subjected to the auditing procedures applied in our audit of the financial statements:

- Introductory Section.
- Statistical Section.

Data Collection Form

Prior to the completion of our engagement, we will complete the sections of the Data Collection Form that are our responsibility. The form will summarize our audit findings, amounts and conclusions. It is management's responsibility to submit a reporting package including financial statements, the Schedule of Expenditures of Federal and State Awards, the Summary Schedule of Prior Audit Findings and corrective action plan along with the Data Collection Form to the federal audit clearinghouse. The financial reporting package must be text searchable, unencrypted, and unlocked. Otherwise, the reporting package will not be accepted by the federal audit clearinghouse. We will assist you in the electronic submission and certification. You may request from us copies of our report for you to include with the reporting package submitted to pass-through entities.

The Data Collection Form is required to be submitted within the *earlier* of 30 days after receipt of our auditors' reports or nine months after the end of the audit period, unless specifically waived by a cognizant or oversight agency for audits. Data Collection Forms submitted untimely are one of the factors in assessing programs at a higher risk.

Audit of the Financial Statements

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; 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 the *State of Texas Uniform Grant Management Standards (UGMS)*. Those standards, the *Uniform*

Guidance, and *UGMS* require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. If appropriate, our procedures will therefore include tests of documentary evidence that support the transactions recorded in the accounts and direct confirmation of cash, investments, and certain other assets and liabilities by correspondence with creditors and financial institutions. As part of our audit process, we may request written representations from your attorneys, and they may bill you for responding. At the conclusion of our audit, we will also request certain written representations from you about the financial statements and related matters.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or noncompliance (whether caused by errors, fraudulent financial reporting, misappropriation of assets, detected abuse or violations of laws or governmental regulations) may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS and *Government Auditing Standards* of the Comptroller General of the United States of America. Please note that the determination of abuse is subjective, and *Government Auditing Standards* does not require auditors to detect abuse.

In making our risk assessments, we consider internal control relevant to the Nueces County, Texas' preparation and fair presentation of the financial statements 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 Nueces County, Texas' internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit. Our responsibility as auditors is, of course, limited to the period covered by our audit and does not extend to any other periods.

We will issue a written report upon completion of our audit of the Nueces County, Texas' basic financial statements. Our report will be addressed to the governing body of the Nueces County, Texas. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

In accordance with the requirements of *Government Auditing Standards*, we will also issue a written report describing the scope of our testing over internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance over financial reporting will not be an objective of the audit and, therefore, no such opinion will be expressed.

Audit of Major Program Compliance

Our audit of the Nueces County, Texas' major federal and state award programs compliance will be conducted in accordance with the requirements of the Single Audit Act (as amended), the *Uniform Guidance*, and *UGMS*, and will include tests of accounting records, a determination of major programs in accordance with the *Uniform Guidance* and *UGMS* and other procedures we consider necessary to enable us to express such an opinion on major federal and state award program compliance and to render the required reports. We cannot provide assurance that an unmodified opinion on compliance

will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or withdraw from the engagement.

The *Uniform Guidance* and *UGMS* require that we also plan and perform the audit to obtain reasonable assurance about whether the County has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major federal and state award programs. Our procedures will consist of determining major federal and state programs and performing the applicable procedures described in the U.S. Office of Management and Budget *OMB Compliance Supplement* and *UGMS* for the types of compliance requirements that could have a direct and material effect on each of the County's major programs. The purpose of those procedures will be to express an opinion on the County's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the *Uniform Guidance* and *UGMS*.

Also, as required by the *Uniform Guidance* and *UGMS*, we will perform tests of controls to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each of the County's major federal and state award programs. However, our tests will be less in scope than would be necessary to render an opinion on these controls and, accordingly, no opinion will be expressed in our report.

We will issue a report on compliance that will include an opinion or disclaimer of opinion regarding the County's major federal and state award programs, and a report on internal controls over compliance that will report any significant deficiencies and material weaknesses identified; however, such report will not express an opinion on internal control.

Management's Responsibilities

Our audit will be conducted on the basis that management and, when appropriate, those charged with governance acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
2. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
3. For identifying, in its accounts, all federal and state awards received and expended during the period and the federal and state programs under which they were received, including federal and state awards and funding increments received prior to December 26, 2014 (if any), and those received in accordance with the *Uniform Guidance* (generally received after December 26, 2014) and *UGMS*;
4. For maintaining records that adequately identify the source and application of funds for federally funded activities;
5. For preparing the schedule of expenditures of federal and state awards (including notes and noncash assistance received) in accordance with the *Uniform Guidance* and *UGMS* requirements;
6. For the design, implementation, and maintenance of internal control over federal and state awards;

7. For establishing and maintaining effective internal control over federal and state awards that provides reasonable assurance that the nonfederal entity is managing federal and state awards in compliance with federal and state statutes, regulations, and the terms and conditions of the federal and state awards;
8. For identifying and ensuring that the entity complies with federal and state statutes, regulations, and the terms and conditions of federal and state award programs and implementing systems designed to achieve compliance with applicable federal and state statutes, regulations, and the terms and conditions of federal and state award programs;
9. For disclosing accurately, currently, and completely the financial results of each federal and state award in accordance with the requirements of the award;
10. For identifying and providing report copies of previous audits, attestation engagements, or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented;
11. For taking prompt action when instances of noncompliance are identified;
12. For addressing the findings and recommendations of auditors, for establishing and maintaining a process to track the status of such findings and recommendations and taking corrective action on reported audit findings from prior periods and preparing a summary schedule of prior audit findings;
13. For following up and taking corrective action on current year audit findings and preparing a corrective action plan for such findings;
14. For submitting the reporting package and data collection form to the appropriate parties;
15. For making the auditor aware of any significant contractor relationships where the contractor is responsible for program compliance;
16. To provide us with:
 - a. Access to all information of which the County is aware that is relevant to the preparation and fair presentation of the financial statements, and relevant to federal and state award programs, such as records, documentation, and other matters;
 - b. Additional information that we may request from the County for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.
17. For adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year period(s) under audit are immaterial, both individually and in the aggregate, to the financial statements as a whole;
18. For acceptance of non-attest services, including identifying the proper party to oversee non-attest work;
19. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets;

20. For informing us of any known or suspected fraud affecting the entity involving management, employees with significant role in internal control and others where fraud could have a material effect on compliance;
21. For the accuracy and completeness of all information provided;
22. For taking reasonable measures to safeguard protected personally identifiable and other sensitive information; and
23. For confirming your understanding of your responsibilities as defined in this letter to us in your management representation letter.

With regard to the schedule of expenditures of federal and state awards referred to above, you acknowledge and understand your responsibility (a) for the preparation of the schedule of expenditures of federal and state awards in accordance with the *Uniform Guidance and UGMS*, (b) to provide us with the appropriate written representations regarding the schedule of expenditures of federal and state awards, (c) to include our report on the schedule of expenditures of federal and state awards in any document that contains the schedule of expenditures of federal and state awards and that indicates that we have reported on such schedule, and (d) to present the schedule of expenditures of federal and state awards with the audited financial statements, or if the schedule will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the schedule of expenditures of federal and state awards no later than the date of issuance by you of the schedule and our report thereon.

As part of our audit process, we will request from management and, when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit.

We understand that your employees will prepare all confirmations we request and will locate any documents or invoices selected by us for testing.

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Engagement Administration, Fees and Timing

We will schedule the engagement based in part on deadlines, working conditions, and the availability of your key personnel. We will plan the engagement based on the assumption that your personnel will cooperate and provide assistance by performing tasks such as preparing requested schedules, retrieving supporting documents, and preparing confirmations. If for whatever reason your personnel are unavailable to provide the necessary assistance in a timely manner, it may substantially increase the work we have to do to complete the engagement within the established deadlines, resulting in an increase in fees over our original fee estimate.

The timing of our audit will be scheduled for performance and completion as follows:

Interim fieldwork	July 2020
Mail confirmations	October 2020
Perform year-end audit procedures	February-March 2021
Issue audit reports	March 2021

John K. Manning is the engagement partner for the audit services specified in this letter. His responsibilities include supervising Pattillo, Brown & Hill, L.L.P.'s services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

Our fees for these services will be at our standard hourly rates plus out-of-pocket costs (such as reports reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed \$63,300. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report(s). You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

Other Matters

During the course of the engagement, we may communicate with you or your personnel via fax or email, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

Our firm may transmit confidential information that you provided us to third parties in order to facilitate delivering our services to you. For example, such transmissions might include, but not be limited to, investment information. We have obtained confidentiality agreements with all our service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have the appropriate procedures in place to prevent the unauthorized release of confidential information to others. We will remain responsible for the work provided by any third-party service providers used under this agreement. By your signature below, you consent to having confidential information transmitted to entities outside the firm. Please feel free to inquire if you would like additional information regarding the transmission of confidential information to entities outside the firm.

The audit documentation for this engagement is the property of Pattillo, Brown & Hill, L.L.P. and constitutes confidential information. However, we may be requested to make certain audit documentation available to federal or state agencies and the U.S. Government Accountability Office pursuant to authority given to it by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of Pattillo, Brown & Hill, L.L.P.'s personnel. Furthermore, upon request, we may provide copies of selected audit documentation to these agencies and regulators. The regulators and agencies may intend, or decide, to distribute the

copies of information contained therein to others, including other governmental agencies. We agree to retain our audit documentation or work papers for a period of at least five years from the date of our report.

Further, we will be available during the year to consult with you on financial management and accounting matters of a routine nature.

During the course of the audit, we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

We agree to retain our audit documentation or work papers for a period of at least five years from the date of our report.

You agree to inform us of facts that may affect the financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued.

At the conclusion of our audit engagement, we will communicate to management and those charged with governance the following significant findings from the audit:

- Our view about the qualitative aspects of the County's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

In accordance with the requirements of *Government Auditing Standards*, we have attached a copy of our latest external peer review report of our firm for your consideration and files.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements compliance over major federal and state award programs including our respective responsibilities.

We appreciate the opportunity to be your financial statement auditors and look forward to working with you and your staff.

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



John K. Manning, CPA
Waco, Texas

RESPONSE:

This letter correctly sets forth our understanding.

Acknowledged and agreed on behalf of Nueces County, Texas by:

Name: _____

Title: _____

Date: _____



CPAs & Advisors

SYSTEM REVIEW REPORT

October 21, 2016

To the Partners of
Pattillo, Brown & Hill, LLP
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Pattillo, Brown & Hill, LLP (the firm) in effect for the year ended May 31, 2016. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*, audits of employee benefit plans, and audits performed under FDICIA.

In our opinion, the system of quality control for the accounting and auditing practice of Pattillo, Brown & Hill, LLP in effect for the year ended May 31, 2016, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Pattillo, Brown & Hill, LLP has received a peer review rating of *pass*.

Haddox Reid Eubank Betts PLLC