



*Legislative Requirement: An Audit Report on*

# Refugio County's Disaster Recovery Loan

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State Auditor

The State Auditor's Office was required to determine whether Refugio County (County) has the ability to repay the loan it received in October 2023 from the Texas Division of Emergency Management's Disaster Recovery Loan Program.

The audit results determined that the County will not be able to repay the \$3 million disaster recovery loan it received. Based on the forecast of funds available through 2033 (the loan's term date), the County is expected to lack sufficient funds to fully repay the loan after complying with its required cash reserve balance.

The County uses its general fund to cover operating costs, which include loan repayments. Based on the analysis performed by auditors, the County would not raise enough revenue after cash reserves are set aside to pay the amount due. In the future, the County could consider strategies to increase its available balances and/or reduce costs.

The auditor analysis considered the County's balances for fiscal years 2021 through 2025 and the forecasted available funds through 2033. Figure 1 on the next page depicts the County's fund balances and balances after reserves over time as compared to the total loan amount.

- [Background](#) | p. 3
- [Audit Objective](#) | p. 4

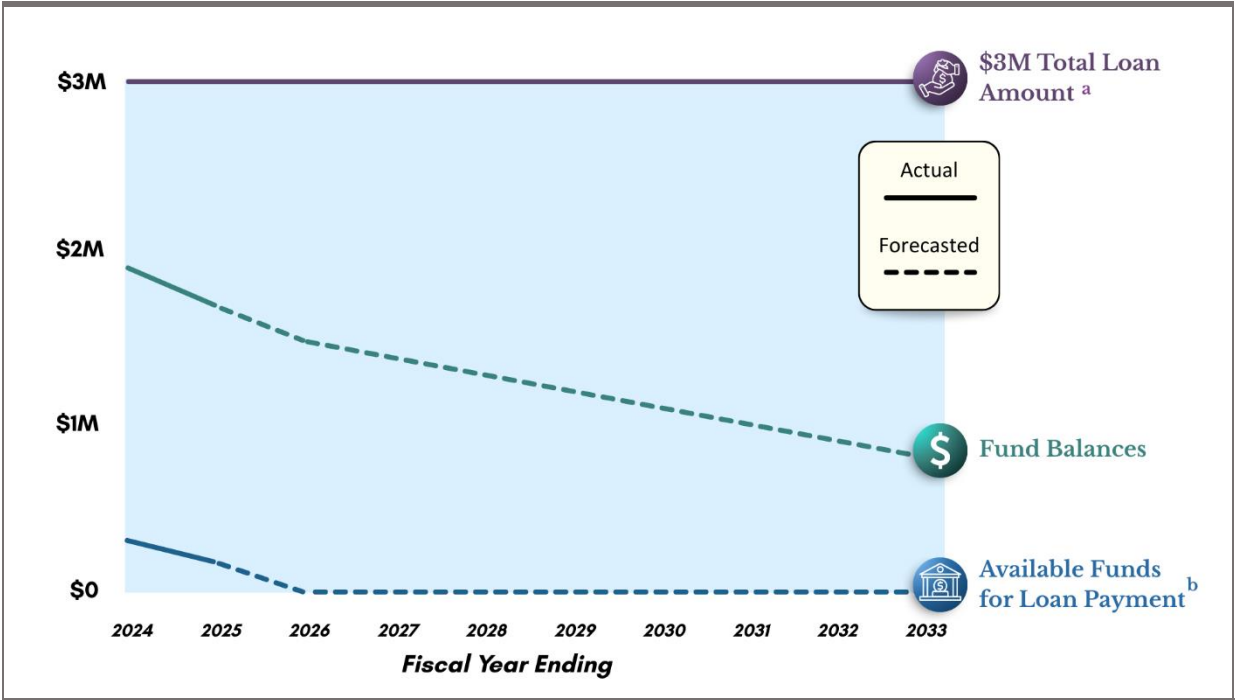
*This audit was conducted in accordance with Texas Government Code, Section 418.064(c).*

## AUDITOR ASSESSMENT

Refugio County will not have the available funds to repay the disaster recovery loan issued by the Texas Division of Emergency Management in October 2023.

Figure 1

*Refugio County's Available Balances Compared to the Total Loan Amount Between Fiscal Years 2024 and 2033*



<sup>a</sup> The \$3 million loan is repaid through annual payments of \$300,000 over 10 years.

<sup>b</sup> Fiscal years reported at \$0 indicate the County is forecasted to fall below its minimum required cash reserve level.

Sources: The fiscal year ending 2024 balance was obtained from the County's Audited Annual Financial Report for that year. The fiscal year ending 2025 balance was obtained from the County's accounting records. Auditors forecasted all other balances (fiscal years ending 2026 through 2033) using actual balances for fiscal years ending 2021 through 2025.

# Background Information

## Legislative Requirement

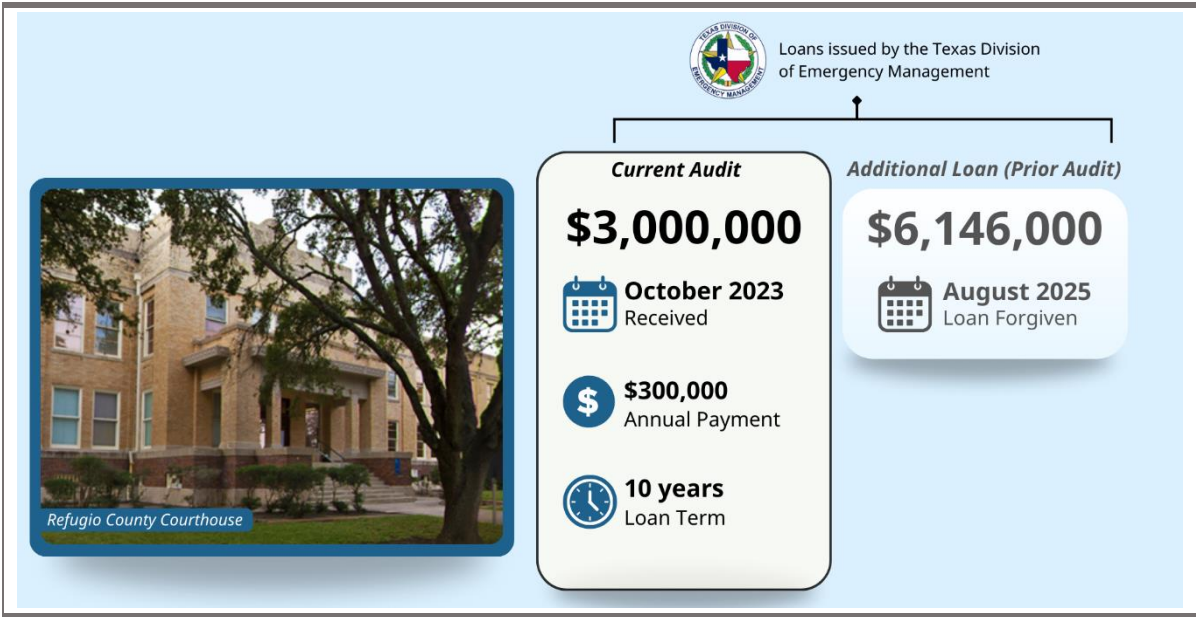
Texas Government Code, Section 418.064(c), required the State Auditor’s Office to conduct a limited audit of Refugio County, as the recipient of a disaster recovery loan, to determine whether it has the ability to repay the loan. That loan was issued by the Texas Division of Emergency Management (Division). We conducted this audit to comply with that requirement.

## Refugio County and Loan Information

The President of the United States declared a major disaster for Refugio County and other Texas counties in August 2017 due to Hurricane Harvey. As a result of the hurricane, the County’s historic courthouse, which is the primary building used for County business, was flooded and structurally damaged. The County estimated that repairs would cost \$27 million and received its first disaster recovery loan from the Division in 2022. That loan has since been forgiven. The County received a second disaster recovery loan in October 2023 and that loan was audited as part of this report. Figure 2 presents the loan details.

Figure 2

### Disaster Recovery Loan Information



Sources: The Division’s loan promissory notes with Refugio County. Photo of Refugio County’s courthouse is from the County’s website.

# Objective, Scope, and Methodology

## Objective

The objective of this audit was to determine whether Refugio County (County) has the ability to repay the loan it received from the Texas Division of Emergency Management's Disaster Recovery Loan Program in October 2023.

## Scope

The scope of this audit included the County's financial records between October 2020 and September 2025 and forecasted future revenues, expenditures, and obligations through October 2033 (the end of loan repayment terms).

The scope did not include a review of internal control components as those components were not significant to the audit objective.

## Methodology

We conducted this performance audit from October 2025 through December 2025 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

### The following members of the State Auditor's staff performed the audit:



- Armando S. Sanchez, MBA, CFE (Project Manager)
- Daniel Spencer, MSA, CIA, CFE (Assistant Project Manager)
- Isaiah Sanchez Orozco
- Dana Musgrave, MBA, CFE (Quality Control Reviewer)
- Kelley Ngaide, CIA, CFE (Audit Manager)

## Addressing the Audit Objective

During the audit, we performed the following:

- Interviewed County staff to gain an understanding of the County's financial records and audits, loan repayment activities, and internal controls that support those records.
- Identified the relevant criteria:
  - Texas Government Code, Section 418.064.
  - Texas Division of Emergency Management's loan promissory note issued to the County.
  - United States Government Accountability Office's Government Auditing Standards, 2024 revision; Chapters 3, 5, 6, 7, and 8.
- Reviewed the financial statement audit results for fiscal years 2021 through 2024 and tested the qualifications, independence, and quality control system of the external audit firms that performed those audits to determine whether state auditors could rely on the audited financial statements.
- Analyzed the County's general fund balances, including balances after reserves for fiscal years ending 2021 through 2033 (which included actual and forecasted balances), to determine whether the County would have funds available to repay the disaster recovery loan.

## Data Reliability and Completeness

Auditors determined that the following data sets were sufficiently reliable for the purposes of the audit:

- **Fiscal Year Ending 2021 through 2024 General Fund Account Balances.** For account balances within Refugio County's Audited Financial Reports for 2021 to 2024, auditors assessed the reliability of the external auditors that performed those financial statement audits.
- **Fiscal Year Ending 2025 General Fund Account Balances.** Auditors (1) reviewed parameters used to pull the data to ensure that it aligned with parameters requested and (2) analyzed key fields for reasonableness and completeness.



Copies of this report have been distributed to the following:

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The Honorable Dan Patrick, Lieutenant Governor, Joint Chair

The Honorable Dustin Burrows, Speaker of the House, Joint Chair

The Honorable Joan Huffman, Senate Finance Committee

The Honorable Robert Nichols, Member, Texas Senate

The Honorable Greg Bonnen, House Appropriations Committee

The Honorable Morgan Meyer, House Ways and Means Committee

## **Office of the Governor**

The Honorable Greg Abbott, Governor

## **Refugio County**

Members of the Refugio County Commissioners Court

Honorable Jhiela "Gigi" Poynter, County Judge



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