



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 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 \$6.15 million disaster recovery loan it received. Based on current balances and estimated future funds available through 2032 (the loan's term date), the County will not have the funds available for full repayment.

The County's total general fund balance, which represents its funds available to make payments, was \$1.63 million as of September 2024. The County uses its general fund to cover operating expenses, which include loan repayments. Based on the analysis performed by auditors, the County does not raise enough revenue to pay the amount due. In the future, the County could consider strategies to increase its available balance and/or reduce costs.

The auditor analysis considered the County's balances for fiscal years 2019 through 2023 and the estimated available funds through 2032. Figure 1 on the next page summarizes those balances over time as compared to the total loan amount.

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

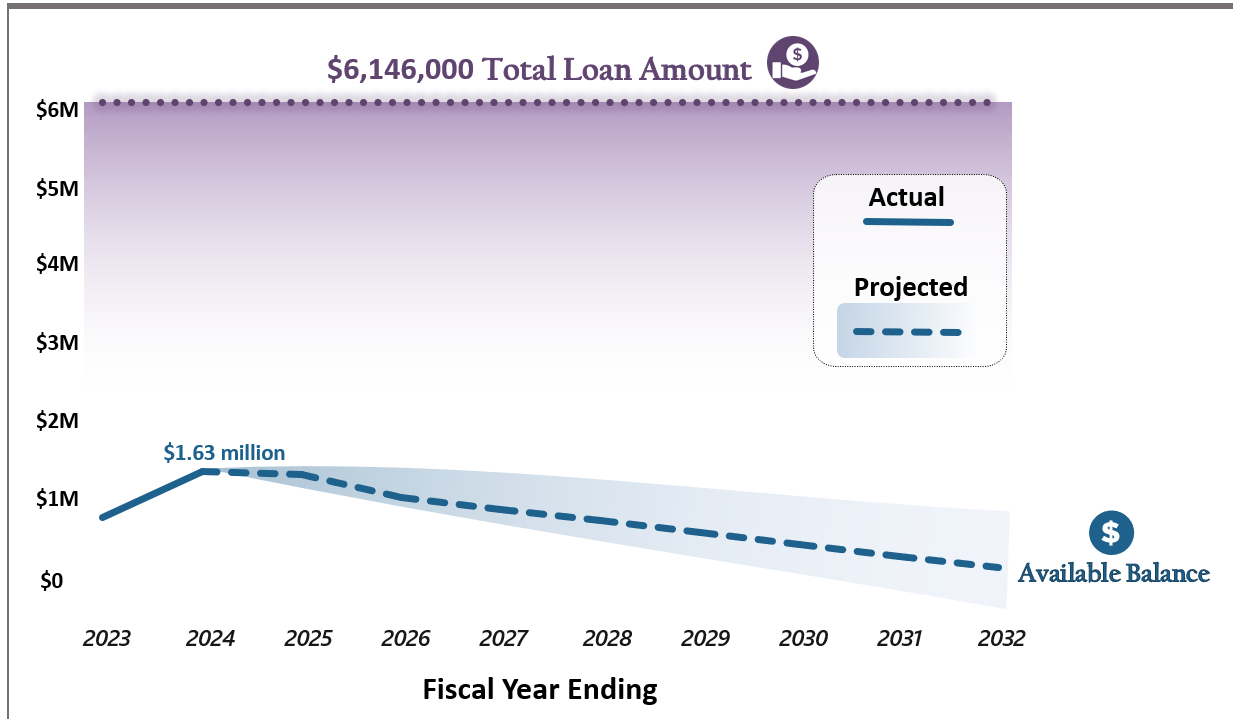
*This audit was conducted in accordance with Texas Government Code, Section 418.064(c).*

## AUDITOR ASSESSMENT

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

Figure 1

**Refugio County's Actual and Projected Available Balances Between Fiscal Years 2023 and 2032 (Loan Repayment Dates)**



Sources: The fiscal year ending 2023 balance was obtained from the County's Draft Audited Annual Financial Report for that year. The fiscal year ending 2024 estimated balance was obtained from the County's accounting records. The fiscal year ending 2025 estimated balance was obtained from the County's 2025 Budget. All other balances (fiscal years ending 2026 through 2032) were forecasted by auditors using actual and estimated balances for fiscal years ending 2019 through 2025.

# Background Information

## Legislative Requirement

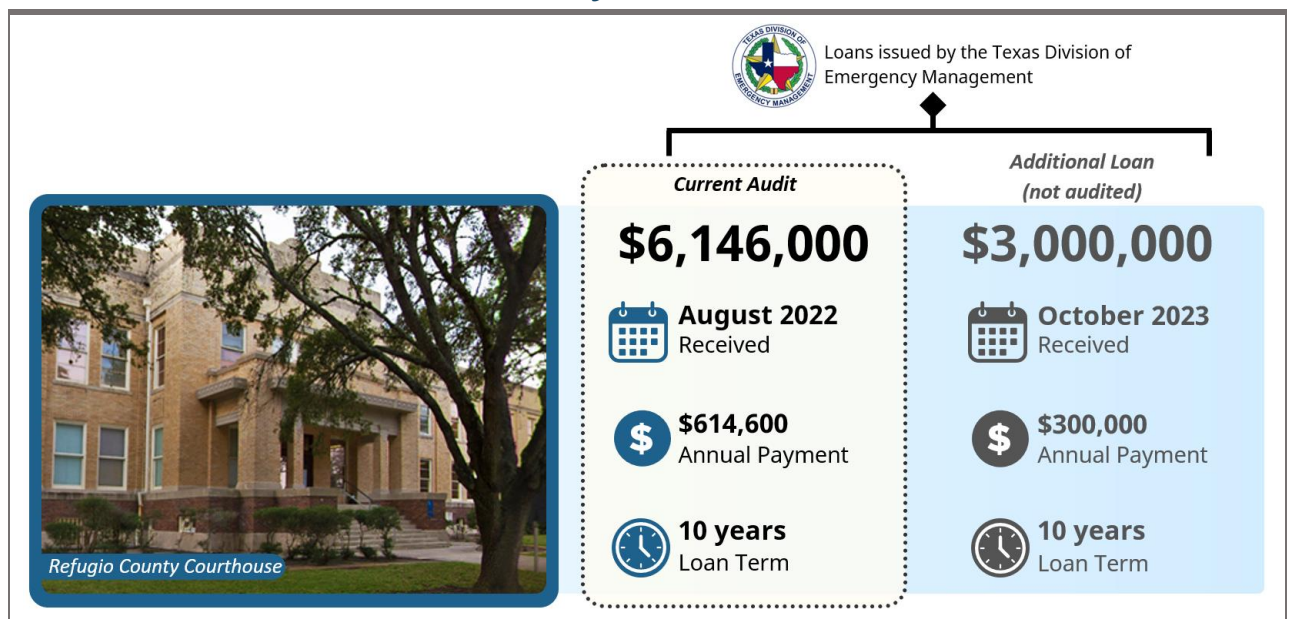
Texas Government Code, Section 418.064(c), requires the State Auditor’s Office to conduct a limited audit of a political subdivision that is the recipient of a disaster recovery loan issued by the Texas Division of Emergency Management (Division) to determine whether it has the ability to repay the loan. 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 was audited as part of this report. Figure 2 presents the loan details.

Figure 2

### Disaster Recovery Loan Information



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

# Objective, Scope, and Methodology

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## Objective

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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.

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## Scope

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The scope of this audit included the County's financial records between October 2018 and September 2023 and estimated future revenues, expenditures, and obligations through August 2032 (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.

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## Methodology

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We conducted this performance audit from August 2024 through December 2024 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

### Addressing the Audit Objective

During the audit, we performed the following:

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



- Kelley Ngaide, CIA, CFE (Project Manager)
- Armando S. Sanchez, CFE (Assistant Project Manager)
- Bria Freeland, MBA
- Makoa Shibuya
- Robert G. Kiker, CFE, CGAP (Quality Control Reviewer)
- Michael Owen Clayton, CPA, CISA, CFE, CIDA (Audit Manager)

- 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, 2018 revision (technical update April 2021); Chapters 3, 5, 6, and 8.
- Reviewed the financial statement audit results for fiscal years 2019 through 2023 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 for fiscal years ending 2019 through 2032 (which included actual, estimated, 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 2019 through 2023 General Fund Account Balances.** For account balances within Refugio County's Audited Financial Reports for 2019 to 2022 and Draft Audited Financial Report for 2023, auditors assessed the reliability of the external auditors that performed those financial statement audits.
- **Fiscal Year Ending 2024 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.
- **Fiscal Year Ending 2025 Budgeted Account Balances.** Auditors (1) independently pulled data from the County's website 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 Dade Phelan, 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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