

**SMITH COUNTY, TEXAS**  
**STATE SINGLE AUDIT REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**Gollob Morgan Peddy PC**  
CERTIFIED PUBLIC ACCOUNTANTS

1001 ESE Loop 323, Suite 300, Tyler, TX 75701  
Tel 903-534-0088 Fax 903-581-3915 [www.gmpcpa.com](http://www.gmpcpa.com)  
Members American Institute of Certified Public Accountants and Private Companies Practice Section

**SMITH COUNTY, TEXAS  
TABLE OF CONTENTS  
SEPTEMBER 30, 2018**

	<u>PAGE</u>
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in <i>Accordance with Government Auditing Standards</i>	1-2
Independent Auditors' Report on Compliance for Each Major State Program and on Internal Control Over Compliance, and Report on Schedule of Expenditures of State Awards Required by the State of Texas <i>Uniform Grant Management Standards</i>	3-4
Schedule of Expenditures of State Awards for the Year Ended September 30, 2018	5
Notes to the Schedule of State Awards	6
Schedule of Findings and Questioned Costs	7
Summary Schedule of Prior Audit Findings	8

**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**

The Honorable Commissioners' Court of Smith County  
Tyler, Texas

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 Smith County, Texas as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise Smith County, Texas's basic financial statements, and have issued our report thereon dated March 12, 2019.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Smith County, Texas'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 Smith County, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of Smith County, Texas'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 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 Smith County, Texas'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*.

***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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Gollob Morgan Peddy PC*

Certified Public Accountants

Tyler, Texas  
March 12, 2019

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL FOR EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF EXPENDITURES OF STATE AWARDS REQUIRED BY THE STATE OF TEXAS *UNIFORM GRANT MANAGEMENT STANDARDS***

The Honorable Commissioners' Court of Smith County  
Tyler, Texas

**Report on Compliance for Each Major State Program**

We have audited Smith County, Texas' compliance with the types of compliance requirements described in the State of Texas *Uniform Grant Management Standards* that could have a direct and material effect on each of Smith County, Texas' major state programs for the year ended September 30, 2018. Smith County, Texas' major state programs are identified in the summary of auditors' 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 state programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Smith County, Texas' major 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 that State of Texas *Uniform Grant Management Standards*. Those standards and the *Uniform Grant Management Standards* 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 state program occurred. An audit includes examining, on a test basis, evidence about Smith County, Texas' 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 state program. However, our audit does not provide a legal determination of Smith County, Texas' compliance.

**Opinion on Each Major State Program**

In our opinion, Smith County, Texas 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 state programs for the year ended September 30, 2018.

**Report on Internal Control Over Compliance**

Management of Smith County, Texas 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 Smith County, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State of 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 Smith County, Texas' 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 state program 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 state 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 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.

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 State of Texas *Uniform Grant Management Standards*. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of State Award Required by the State of Texas *Uniform Grant Management Standards***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Smith County, Texas as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise Smith County, Texas' basic financial statements. We issued our report thereon dated May 12, 2019, 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 state awards is presented for purpose of additional analysis as required by the State of 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 state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Certified Public Accountants

Tyler, Texas  
March 12, 2019

**SMITH COUNTY, TEXAS  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

<u>State Grantor/Pass Through Grantor/ Program Title</u>	<u>Grant Contract Number</u>	<u>Amounts Passed to Through Subrecipients</u>	<u>Program Expenditures</u>
<b>TEXAS OFFICE OF THE ATTORNEY GENERAL</b>			
Direct Programs:			
Texas Automated Victim Notification - VINE	1877745	\$ -	\$ 28,547
<b>TOTAL TEXAS OFFICE OF THE ATTORNEY GENERAL</b>		<u>-</u>	<u>28,547</u>
<b>TEXAS OFFICE OF THE GOVERNOR, CRIMINAL JUSTICE DIVISION</b>			
Direct Programs:			
Drug Court	1976210	-	62,261
Drug Court	1976211	-	6,540
<b>TOTAL TEXAS OFFICE OF THE GOVERNOR, CRIMINAL JUSTICE DIVISION</b>		<u>-</u>	<u>68,801</u>
<b>TASK FORCE ON INDIGENT FORMULA GRANT</b>			
Direct Programs:			
Indigent Defense Formula Grant	212-18-212	-	154,544
Indigent Defense Discretionary Grant - Mental Health Defender Program	212-18-D05	-	22,714
<b>TOTAL TASK FORCE ON INDIGENT FORMULA GRANT</b>		<u>-</u>	<u>177,258</u>
<b>TEXAS COMMISSION ON ENVIRONMENTAL QUALITY</b>			
Direct Programs:			
Local Emergency Planning Committee (LEPC) Grant Program	582-17-71558	-	92,122
<b>TOTAL TEXAS COMMISSION ON ENVIRONMENTAL QUALITY</b>		<u>-</u>	<u>92,122</u>
<b>TEXAS DEPARTMENT OF MOTOR VEHICLES</b>			
Passed Through Automobile Burgulary Theft Prevention Authority:			
East Texas Auto Theft Task Force	608-18-2120000	240,527	332,792
<b>TOTAL TEXAS DEPARTMENT OF MOTOR VEHICLES</b>		<u>240,527</u>	<u>332,792</u>
<b>TEXAS SECRETARY OF STATE</b>			
Direct Programs:			
Chapter 19 Voter Registration	FY 2016	-	49,142
Chapter 19 Voter Registration	FY 2017	-	34,399
Primary Finance	N/A	-	36,749
<b>TOTAL TEXAS SECRETARY OF STATE</b>		<u>-</u>	<u>120,290</u>
<b>EAST TEXAS COUNCIL OF GOVERNMENTS</b>			
Direct Programs:			
Solid Waste	18-06-10	-	3,000
<b>TOTAL EAST TEXAS COUNCIL OF GOVERNMENTS</b>		<u>-</u>	<u>3,000</u>
<b>TOTAL EXPENDITURES OF STATE AWARDS</b>		<u>\$ 240,527</u>	<u>\$ 822,810</u>

See Notes to Schedule on following page.

**SMITH COUNTY, TEXAS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES USED IN PREPARING THE SCHEDULE**

The accompanying schedule of expenditures of state awards includes the state award activity of Smith County, Texas, under programs of the state government for the year ended September 30, 2018. The information in this schedule is presented in accordance with the 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) and the State of Texas *Uniform Grant Management Standards* (UGMS). Therefore, some amounts presented in this schedule may differ from amounts present in, or used in, the preparation of the basis financial statements.

Expenditures reported in the schedule is presented on the modified accrual basis of accounting, which is described in Note 1 to the County's financial statement. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and UGMS, wherein certain types of expenditures are not allowable or limited as to reimbursement.

**NOTE 2 – INDIRECT COST RATES**

The County did not elect to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**SMITH COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2018**

**Section I – Summary of Auditors’ Results**

*Financial Statements*

Type of auditors’ report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified?        \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified?    \_\_\_\_\_ Yes      X   None Reported

Noncompliance material to financial statements noted?        \_\_\_\_\_ Yes      X   No

*State Awards*

Internal control over major programs:

- Material weakness(es) identified?        \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified?    \_\_\_\_\_ Yes      X   No

Type of auditors’ report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported by the State of Texas *Uniform Grant Management Standards*?        \_\_\_\_\_ Yes      X   No

Identification of major programs:

Cluster/Program	State Agency	Grant Number
Indigent Defense Formula Grant East Texas Auto Theft Task Force	Task Force on Indigent Formula Grant Texas Department of Motor Vehicles	212-18-212 608-18-212000

Dollar threshold used to distinguish Between type A and type B programs:        \$300,000

Auditee qualified as low-risk auditee:        \_\_\_\_\_ Yes      X   No

**Section II – Financial Statement Findings**

None noted.

**Section III – State Award Findings and Questioned Costs**

None noted.

**SMITH COUNTY, TEXAS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

There were no findings reported in the prior audit as of September 30, 2017 as there was not a State Single Audit conducted in the prior period.