

Montgomery County, Texas

Federal and State Single Audit Report
For the Fiscal Year Ended September 30, 2018

Montgomery County, Texas
Federal and State Single Audit Report
For the Fiscal Year Ended September 30, 2018
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Independent Auditor's 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 County Judge
and County Commissioners and Management of
Montgomery County
P.O. Box 539
Conroe, Texas 77305-0539

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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Montgomery County, Texas (the County) as of and for the fiscal year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the County'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 the County'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 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 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.

To The Honorable County Judge
and County Commissioners and Management of
Montgomery County, Texas

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
March 12, 2019

**Independent Auditor's Report on the Schedule of Expenditures of
Federal and State Awards and on Compliance for Each Major Federal
and State Program and Report on Internal Control over Compliance
in Accordance with the Uniform Guidance and Texas
Uniform Grant Management Standards**

To The Honorable County Judge
and County Commissioners and Management of
Montgomery County
P.O. Box 539
Conroe, Texas 77305-0539

Report on Compliance for Each Major Federal and State Program

We have audited the Montgomery County, Texas (the County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement and Texas Uniform Grant Management Standards* that could have a direct and material effect on each of the County's major federal programs for the fiscal year ended September 30, 2018. The County's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditor's Responsibility

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

Opinion on Each Major Federal and State Program

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 each of its major federal and state programs for the fiscal year ended September 30, 2018.

To The Honorable County Judge
and County Commissioners and Management of
Montgomery County, Texas

Report on Internal Control over Compliance

Management of the County 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 the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and 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 federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and UGMS, 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 the County's 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 and 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 federal and 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 federal and 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.

Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and Texas Uniform Grant Management Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of and for the fiscal year ended September 30, 2018 and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 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 federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and UGMS 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 federal and state awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

To The Honorable County Judge
and County Commissioners and Management of
Montgomery County, Texas

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
March 12, 2019

Montgomery County, Texas

Schedule of Expenditures of Federal and State Awards For the Fiscal Year Ended September 30, 2018

Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Project Number	Grant Funds Expended	Pass-Through Amount to Subrecipients
FEDERAL FUNDING:				
U.S. DEPARTMENT OF AGRICULTURE				
Child Nutrition Cluster:				
Direct Program:				
<i>National School Lunch Program (17-18SY)</i>	10.555	CEID: 01340	\$ 31,558	\$ -
<i>National School Lunch Program (18-19SY)</i>	10.555	CEID: 01340	8,933	-
Total Program 10.555			40,491	-
<i>National School Breakfast Program (17-18SY)</i>	10.553	CEID: 01340	21,182	-
<i>National School Breakfast Program (18-19SY)</i>	10.553	CEID: 01340	5,842	-
Total Program 10.553			27,024	-
Total Direct Program			67,515	-
Total Child Nutrition Cluster			67,515	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			67,515	-
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
CDBG - Entitlement Grants Cluster:				
Direct Program:				
<i>Community Development Block Grant</i>	14.218	B-12-UC-48-0006	1,300	-
<i>Community Development Block Grant</i>	14.218	B-13-UC-48-0006	69,341	-
<i>Community Development Block Grant</i>	14.218	B-14-UC-48-0006	478,015	-
<i>Community Development Block Grant</i>	14.218	B-15-UC-48-0006	461,517	-
<i>Community Development Block Grant</i>	14.218	B-16-UC-48-0006	772,371	-
<i>Community Development Block Grant</i>	14.218	B-17-UC-48-0006	870,124	324,000
Total Program 14.218			2,652,668	324,000
Total CDBG - Entitlement Grants Cluster			2,652,668	324,000
<i>Emergency Shelter Grants Program (ESGP)</i>	14.231	E-17-UC-48-0006	7,770	199,440
Total Program 14.231			7,770	199,440
<i>Home Program</i>	14.239	M-14-UC-48-0235	192,859	-
<i>Home Program</i>	14.239	M-15-UC-48-0235	1,634	-
<i>Home Program</i>	14.239	M-16-UC-48-0235	2,264	-
<i>Home Program</i>	14.239	M-17-UC-48-0235	113,416	-
Total Program 14.239			310,173	-
Total Direct Program			2,970,611	523,440
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			2,970,611	523,440
U.S. DEPARTMENT OF JUSTICE				
Direct Program:				
<i>Forensics Accreditation Grant</i>	16.738	2017-DN-BX-0152	25,000	-
Total Program 16.738			25,000	-
<i>Federal Equitable Sharing</i>	16.922	TX1700000	181,319	-
Total Program 16.922			181,319	-
Total Direct Program			206,319	-
Passed Through the State Criminal Justice Division:				
<i>Child Victim Coordinator Project</i>	16.575	2872002	74,457	-
Total Program 16.575			74,457	-
<i>Domestic Violence Investigator</i>	16.588	3398301	48,595	-
<i>Domestic Violence Investigator</i>	16.588	3398302	4,175	-
Total Program 16.588			52,770	-
<i>Spotlight Thermal Image Camera</i>	16.738	3313101	49,485	-
Total Program 16.738			49,485	-
Total Passed Through the State Criminal Justice Division			176,712	-
Passed Through Houston Police Department:				
<i>Human Trafficking Rescue Alliance Task Force</i>	16.320	N/A	24,870	-
Total Program 16.320			24,870	-
Total Passed Through Houston Police Department			24,870	-
TOTAL U.S. DEPARTMENT OF JUSTICE			407,901	-
U.S. DEPARTMENT OF TRANSPORTATION				
Passed Through the State Department of Transportation:				
<i>Airport Master Plan</i>	20.106	16MPCONRO	4,134	-
<i>Runway Incursion Mitigation Grant</i>	20.106	1612CNROE	1,572	-
<i>Parallel Taxiway Project</i>	20.106	1812CONRO	1,726,001	-
Total Program 20.106			1,731,707	-

The Notes to Schedule of Expenditures of Federal and State Awards are an integral part of this schedule.

Montgomery County, Texas

Schedule of Expenditures of Federal and State Awards - Continued For the Fiscal Year Ended September 30, 2018

Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Project Number	Grant Funds Expended	Pass-Through Amount to Subrecipients
Highway Safety Cluster: <i>STEP-Speed FY 18</i>	20.600	2018-MontogSO-S-1YG-0044	55,945	-
Total Program 20.600			55,945	-
<i>STEP-Impaired Driving Mobilization FY18</i>	20.616	2018-MontgoSO-S-1YG-00002	16,119	-
<i>STEP-CIOT-2018</i>	20.616	2018-MoCoP1Co-CIOT-00040	4,485	-
<i>STEP-CIOT-2018</i>	20.616	2018-MoCoP2Co-CIOT-00041	4,992	-
<i>STEP-CIOT-2018</i>	20.616	2018-MoCoP4Co-CIOT-00042	3,397	-
<i>STEP-CIOT-2018</i>	20.616	2018-MoCoP5Co-CIOT-00025	4,087	-
<i>Alcohol Traffic Safety & Drunk Driving Prevention Incentive</i>	20.616	2018-MCDAO-G-1YG-0127	143,603	-
Total Program 20.616			176,683	-
Total Passed Through the State Department of Transportation			1,964,335	-
Passed Through the Houston-Galveston Area Council: <i>STEP-Impaired Driving Mobilization</i>	20.616	TDOT.17.0601-05	5,500	-
Total Program 20.616			5,500	-
Total Passed Through the Houston-Galveston Area Council			5,500	-
Total Highway Safety Cluster			238,128	-
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			1,969,835	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed Through the State Department of Family and Protective Services: <i>Foster Care Title IV-E (ADM)</i>	93.658	23940072	13,268	-
<i>Foster Care Title IV-E</i>	93.658	23940074	65,757	-
Total Program 93.658			79,025	-
Total Passed Through the State Department of Family and Protective Services			79,025	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			79,025	-
EXECUTIVE OFFICE OF THE PRESIDENT				
Direct Program:				
<i>High Intensity Drug Trafficking Areas</i>	95.001	G16HN0017A	299,925	-
<i>High Intensity Drug Trafficking Areas</i>	95.001	G17HN0017A	71,267	-
<i>High Intensity Drug Trafficking Areas</i>	95.001	G17HN0018A	5,555	-
Total Program 95.001			376,747	-
Total Direct Program			376,747	-
TOTAL EXECUTIVE OFFICE OF THE PRESIDENT			376,747	-
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed Through the State Division of Emergency Management: <i>May Severe Weather Public Assistance Grant Program</i>	97.036	FEMA-DR-4272-TX	319,080	-
<i>Texas Hurricane Harvey</i>	97.036	FEMA-DR-4332-TX	4,729,114	-
Total Program 97.036			5,048,194	-
Total Passed Through the State Division of Emergency Management			5,048,194	-
Passed Through the State Criminal Justice Division:				
<i>HSGP-Montgomery County Community Preparedness</i>	97.067	2976301	9,097	-
<i>HSGP-Montgomery County Community Preparedness</i>	97.067	2976302	18,973	-
<i>HSGP-Montgomery County Community Preparedness & Regional Planning</i>	97.067	2976303	187,121	-
<i>HSGP-Montgomery County Regional Team Sustainment</i>	97.067	2976401	29,758	-
<i>HSGP-Montgomery County Regional HazMat Team Sustainment</i>	97.067	2976402	235,077	-
<i>HSGP- Montgomery County Law Enforcement PPE</i>	97.067	2976601	16,694	-
<i>HSGP- Montgomery County Law Enforcement PPE</i>	97.067	2976602	75,000	-
<i>HSGP- Montgomery County Special Law Enforcement Capabilities</i>	97.067	3182601	114,968	-
<i>HSGP- Montgomery County Structural Collapse Sustainment</i>	97.067	3181901	20,694	-
<i>HSGP- Montgomery County EOC Sustainment</i>	97.067	2976901	146,868	-
<i>HSGP- Montgomery County EOC Sustainment</i>	97.067	2976902	35,358	-
<i>HSGP- Montgomery County EOC Enhancement/Reg Tech Sustainment</i>	97.067	2976903	38,842	-
<i>HSGP- Montgomery County Public Safety Video Initiative</i>	97.067	2977002	185,763	-
<i>HSGP- Montgomery County Regional Planners</i>	97.067	2977102	27,298	-
<i>HSGP- Montgomery County M&A</i>	97.067	2986502	35,508	-
<i>HSGP- Montgomery County M&A</i>	97.067	2986503	16,926	-
<i>HSGP- Montgomery County FR FC Specialized Team Sustainment</i>	97.067	3419301	10,000	-
<i>HSGP- Montgomery County FR LE Special Response</i>	97.067	3420701	124,238	-
<i>HSGP- Montgomery County EOC Enhancement</i>	97.067	3403601	47,923	-
Total Program 97.067			1,376,106	-
Total Passed Through the State Criminal Justice Division			1,376,106	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			6,424,300	-
TOTAL FEDERAL FUNDING			12,295,934	523,440

The Notes to Schedule of Expenditures of Federal and State Awards are an integral part of this schedule.

Montgomery County, Texas

Schedule of Expenditures of Federal and State Awards- Continued For the Fiscal Year Ended September 30, 2018

Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Project Number	Grant Funds Expended	Pass-Through Amount to Subrecipients
STATE FUNDING:				
TEXAS CRIMINAL JUSTICE DIVISION				
Direct Program:				
<i>Veteran's Court Program</i>	N/A	3023302	42,140	-
<i>Panic Button Security</i>	N/A	3427701	21,250	-
<i>Rifle Resistant Body Armor</i>	N/A	3446201	182,691	-
Total Direct Program			246,081	-
TOTAL TEXAS CRIMINAL JUSTICE DIVISION			246,081	-
TEXAS VETERAN'S COMMISSION				
Direct Program:				
<i>Veteran's Court Program- IVC</i>	N/A	VTC_17_0484	69,669	-
<i>Veteran's Court Program- IVC</i>	N/A	VTC_18_0604	28,431	-
Total Direct Program			98,100	-
TOTAL TEXAS VETERAN'S COMMISSION			98,100	-
TEXAS DEPARTMENT OF MOTOR VEHICLES				
Direct Program:				
<i>Motor Vehicle Salvage/Theft Reduction Inspn-23</i>	N/A	608-17-1700000	3,239	-
<i>Motor Vehicle Salvage/Theft Reduction Inspn-24</i>	N/A	608-18-1700000	153,184	133,649
<i>Motor Vehicle Salvage/Theft Reduction Inspn-25</i>	N/A	608-19-1700000	15,565	10,091
Total Direct Program			171,988	143,740
TOTAL TEXAS DEPARTMENT OF MOTOR VEHICLES			171,988	143,740
TEXAS DEPARTMENT OF TRANSPORTATION				
Direct Program:				
<i>Routine Airport Maintenance Program</i>	N/A	M1812CONR	46,519	-
Total Direct Program			46,519	-
TOTAL TEXAS DEPARTMENT OF TRANSPORTATION			46,519	-
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY				
Direct Program:				
<i>LIRAP-Local Initiative Project</i>	N/A	582-14-40131	76,250	-
Total Direct Program			76,250	-
TOTAL TEXAS COMMISSION ON ENVIRONMENTAL QUALITY			76,250	-
TEXAS STATE OFFICE OF THE ATTORNEY GENERAL				
Direct Program:				
<i>SAVNS Maintenance Grant, FY 18</i>	N/A	1877521	28,547	-
<i>SAVNS Maintenance Grant, FY 19</i>	N/A	1990563	2,379	-
Total Direct Program			30,926	-
TOTAL TEXAS STATE OFFICE OF THE ATTORNEY GENERAL			30,926	-
TEXAS INDIGENT DEFENSE COMMISSION				
Direct Program:				
<i>Indigent Defense Services - Formula Grant</i>	N/A	212-18-170	452,818	-
<i>Indigent Defense Techshare Grant</i>	N/A	212-14-D09	19,690	-
<i>Supplemental Capital Defense Formula Grant</i>	N/A	212-18-170SC	34,688	-
Total Direct Program			507,196	-
TOTAL TEXAS INDIGENT DEFENSE COMMISSION			507,196	-
GENERAL APPROPRIATIONS ACT- "RIDER 97"				
Passed Through Texas Department of State Health Services:				
<i>Forensic Hospital Services</i>	N/A	2016-048567-001A	15,171,556	-
<i>Forensic Hospital Services</i>	N/A	2016-048567-001B	1,250,820	-
Total Passed Through Texas Department of State Health Services			16,422,376	-
TOTAL GENERAL APPROPRIATIONS ACT- "RIDER 97"			16,422,376	-
HOUSTON-GALVESTON AREA COUNCIL				
Direct Program:				
<i>Regional Juvenile Mental Health Services, FY 18</i>	N/A	N/A	13,618	-
Total Direct Program			13,618	-
TOTAL HOUSTON-GALVESTON AREA COUNCIL			13,618	-
TOTAL STATE FUNDING			17,613,054	143,740

The Notes to Schedule of Expenditures of Federal and State Awards are an integral part of this schedule.

Montgomery County, Texas

Schedule of Expenditures of Federal and State Awards- Continued For the Fiscal Year Ended September 30, 2018

Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Project Number	Grant Funds Expended	Pass-Through Amount to Subrecipients
LOCAL FUNDING:				
THE NRA FOUNDATION				
Direct Program:				
<i>FY18 Training Equipment Project</i>	N/A	JEU9X8	3,510	-
Total Direct Program			<u>3,510</u>	<u>-</u>
TOTAL THE NRA FOUNDATION			3,510	-
EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT				
Direct Program:				
<i>Boat Trailer</i>	N/A	N/A	77,749	-
<i>Emergency Response Equipment</i>	N/A	N/A	2,874	-
Total Direct Program			<u>80,623</u>	<u>-</u>
TOTAL EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT			80,623	-
PETCO FOUNDATION				
Direct Program:				
<i>Spay/Neuter Program</i>	N/A	N/A	4,480	-
<i>Hurricane Harvey 1</i>	N/A	N/A	25,000	-
<i>Hurricane Harvey 2</i>	N/A	N/A	22,837	-
<i>2018 Petco</i>	N/A	N/A	10,581	-
Total Direct Program			<u>62,898</u>	<u>-</u>
TOTAL PETCO FOUNDATION			62,898	-
WWW FOUNDATION				
Direct Program:				
<i>WWW Foundation Award</i>	N/A	N/A	3,613	-
Total Direct Program			<u>3,613</u>	<u>-</u>
TOTAL WWW FOUNDATION			3,613	-
TRI-COUNTY HEALTH ALLIANCE				
Direct Program:				
<i>Mobile AEDs & Tourniquets</i>	N/A	N/A	27,436	-
Total Direct Program			<u>27,436</u>	<u>-</u>
TOTAL TRI-COUNTY HEALTH ALLIANCE			27,436	-
TOTAL LOCAL FUNDING			<u>178,080</u>	<u>-</u>
GRAND TOTAL ALL FUNDING			<u>\$ 30,087,068</u>	<u>\$ 667,180</u>

The Notes to Schedule of Expenditures of Federal and State Awards are an integral part of this schedule.

Montgomery County, Texas

Notes to the Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended September 30, 2018

Note 1. General

The accompanying schedule of expenditures of federal awards presents the activity of all applicable federal and state awards of the Montgomery County, Texas (the County). The County's reporting entity is defined in Note 1 to the County's basic financial statements. Federal and state awards received directly from federal and state agencies as well as federal awards passed through other government agencies are included in this schedule. The information on this schedule is prepared 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 Texas Uniform Grant Management Standards).

Note 2. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund types are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in a special revenue fund, a component of the governmental fund type or general fund. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing resources) and decreases (i.e. expenditures and other financing uses) in fund balance.

The modified accrual basis of accounting is used for the governmental fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual (i.e. both measurable and available); and, expenditures in the accounting period in which the fund liability is incurred, if measurable. Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly when such funds are received, they are recorded as deferred revenues until earned.

The County has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Availability of Federal Grant Funds

The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions of the *Compliance Supplement*.

Note 4. Relationship to Federal and State Financial Reports

Grant expenditures reports as of September 30, 2018, which have been submitted to grantor agencies will, in some cases, differ slightly from amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of year-end accruals. The reports will agree at termination of the grant as the discrepancies noted are timing differences.

Montgomery County, Texas

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended September 30, 2018

Section 1. Summary of Auditors' Results

Financial Statements

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|--|---------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal Control over Financial Reporting: | |
| a. Material Weakness(es) identified? | No |
| b. Significant Deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| 3. Noncompliance material to Financial Statements noted? | No |

Federal and State Awards

- | | |
|--|--|
| 4. Internal control over major programs: | |
| a. Material Weakness(es) identified? | No |
| b. Significant Deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| 5. Type of auditors' report issued on compliance with major programs | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Uniform Guidance and Texas Uniform Grant Management Standards? | No |
| 7. Identification of Major Federal Programs | 20.106 Airport Master Plan
20.106 Runway Incursion Mitigation Grant
20.106 Parallel Taxiway Project
97.067 Homeland Security Grant Programs |
| 8. Identification of Major State Programs | Forensic Hospital Services |
| 9. Dollar threshold used to distinguish between Type A and Type B federal programs | \$750,000 |
| 10. Dollar threshold used to distinguish between Type A and Type B state programs | \$532,704 |
| 11. Auditee Qualified as a Low-Risk Auditee? | Yes |

Section 2. Financial Statement Findings

None reported

Section 3. Federal and State Award Findings and Questioned Costs

None reported