

Montgomery County, Texas

Federal and State Single Audit Report
For the Fiscal Year Ended September 30, 2019

Montgomery County, Texas
Federal and State Single Audit Report
For the Fiscal Year Ended September 30, 2019
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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, Texas
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, 2019 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 18, 2020.

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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

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*.

Weaver and Tidwell, L.L.P.
1406 Wilson Road, Suite 100 / Conroe, Texas 77304
Main: 936.756.8127

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

The County's Response to Findings

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 18, 2020

**Independent Auditor's Report 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 the State of Texas *Uniform Grant Management Standards* (UGMS) that could have a direct and material effect on each of the County's major federal and state programs for the fiscal year ended September 30, 2019. 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 the State of Texas UGMS. Those standards and the Uniform Guidance and State of Texas 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.

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

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, 2019.

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 State of Texas 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.

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 the State of Texas UGMS. Accordingly, this report is not suitable for any other purpose.

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

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, 2019 and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 18, 2020 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 State of Texas 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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
April 7, 2020

Montgomery County, Texas
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended September 30, 2019

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:				
National School Lunch Program (18-19SY)	10.555	CEID: 01340	\$ 27,896	\$ -
National School Lunch Program (19-20SY)	10.555	CEID: 01340	<u>10,864</u>	<u>-</u>
Total Program 10.555			38,760	-
National School Breakfast Program (18-19SY)	10.553	CEID: 01340	18,400	-
National School Breakfast Program (19-20SY)	10.553	CEID: 01340	<u>7,049</u>	<u>-</u>
Total Program 10.553			<u>25,449</u>	<u>-</u>
Total Direct Program			<u>64,209</u>	<u>-</u>
Total Child Nutrition Cluster			<u>64,209</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			64,209	-
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
CDBG Entitlement Grants Cluster:				
Direct Program:				
Community Development Block Grant	14.218	B-13-UC-48-0006	10,252	-
Community Development Block Grant	14.218	B-14-UC-48-0006	23,370	-
Community Development Block Grant	14.218	B-15-UC-48-0006	490,043	-
Community Development Block Grant	14.218	B-16-UC-48-0006	105,660	-
Community Development Block Grant	14.218	B-17-UC-48-0006	29,075	-
Community Development Block Grant	14.218	B-18-UC-48-0006	<u>860,901</u>	<u>382,770</u>
Total Program 14.218			<u>1,519,301</u>	<u>382,770</u>
Total CDBG- Entitlement Grants Cluster			1,519,301	382,770
Emergency Shelter Grants Program (ESGP)	14.231	E-18UC-48-0006	<u>8,199</u>	<u>197,624</u>
Total Program 14.231			8,199	197,624
Home Program	14.239	M-14-UC-48-0235	70,493	-
Home Program	14.239	M-17-UC-48-0235	2,369	-
Home Program	14.239	M-18-UC-48-0235	<u>243,758</u>	<u>-</u>
Total Program 14.239			<u>316,620</u>	<u>-</u>
Total Direct Program			1,844,120	580,394
Passed Through the General Land Office				
CDBG-DR Housing 2016 Floods	14.228	18-522-000-B262	1,370	-
CDBG-DR 2016 Floods Infrastructure	14.228	19-076-018-B367	<u>612</u>	<u>-</u>
Total Program 14.228			<u>1,982</u>	<u>-</u>
Total Passed Through the General Land Office			<u>1,982</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			1,846,102	580,394
U.S. DEPARTMENT OF JUSTICE				
Direct Program:				
State Criminal Alien Assistance Program (SCAAP)	16.606	2018-H0630-TX-AP	<u>185,427</u>	<u>-</u>
Total Program 16.606			185,427	-
Smart Prosecution Grant	16.825	2018-AR-BX-0017	<u>159,855</u>	<u>-</u>
Total Program 16.825			159,855	-
JAG LED Signs	16.738	2017-DJ-BX-0572	48,443	-
JAG Body Cameras	16.738	2018-DJ-BX-0023	49,095	-
Forensics Accreditation Grant	16.738	2017-DN-BX-0152	<u>16,463</u>	<u>-</u>
Total Program 16.738			114,001	-
Federal Equitable Sharing	16.922	TX1700000	183,526	-
Federal Equitable Sharing	16.922	TX170015A	<u>82,559</u>	<u>-</u>
Total Program 16.922			<u>266,085</u>	<u>-</u>
Total Direct Program			725,368	-
Passed Through the State Criminal Justice Division:				
Traffic Management Speed Trailer	16.738	3574901	<u>9,977</u>	<u>-</u>
Total Program 16.738			9,977	-
Child Victim Coordinator Project	16.575	2872002	<u>82,595</u>	<u>-</u>
Total Program 16.575			82,595	-
Domestic Violence Investigator	16.588	3398302	68,658	-
Domestic Violence Investigator	16.588	3398303	<u>5,981</u>	<u>-</u>
Total Program 16.588			<u>74,639</u>	<u>-</u>
Total Passed Through the State Criminal Justice Division			167,211	-

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, 2019

Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA # Number	Project Number	Grant Funds Expended	Pass-Through Amount to Subrecipients
Passed Through the Houston Police Department: Human Trafficking Rescue Alliance Task Force	16.320	N/A	47,143	-
Total Program 16.320			47,143	-
Total Passed Through the Houston Police Department			47,143	-
TOTAL U.S. DEPARTMENT OF JUSTICE			939,722	-
U.S. DEPARTMENT OF TRANSPORTATION				
Passed Through the State Department of Transportation: Parallel Taxiway Project	20.106	1812CONRO	486,098	-
Taxiway G&F- Design Phase	20.106	1912CNROE	103,965	-
Total Program 20.106			590,063	-
Highway Safety Cluster: STEP-Comprehensive	20.600	2019-MoCoP5Co-S-1YG-00070	10,871	-
STEP-Comprehensive	20.600	2019-MontogSO-S-1YG-00050	96,600	-
Total Program 20.600			107,471	-
Alcohol Traffic Safety & Drunk Driving Prevention Incentive	20.616	2019-MCDAO-G-1YG-0121	143,603	-
STEP-Impaired Driving Mobilization FY 19	20.616	2019-MontgoSO-IDM-00006	6,349	-
STEP-Impaired Driving Mobilization FY 19	20.616	2019-MoCoP5CoIDM-00007	3,960	-
STEP-Impaired Driving Mobilization FY 19	20.616	2019-MoCoP4Co-IDM-00008	8,727	-
STEP-Impaired Driving Mobilization FY 19	20.616	2019-MoCoP3Co-IDM-00028	9,840	-
Total Program 20.616			172,479	-
Total Highway Safety Cluster			279,950	-
Total Passed Through the State Department of Transportation			870,013	-
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			870,013	-
U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES				
Passed Through the State Library and Archives Commission: Interlibrary Loan Lending Reimbursement Program	45.310	LS-00-18-0044-18	21,339	-
Total Program 45.310			21,339	-
Total Passed Through the State Library and Archives Commission			21,339	-
TOTAL U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES			21,339	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed Through the State Department of Family and Protective Services: Foster Care Title IV-E (ADM)	93.658	24731933	9,809	-
Foster Care Title IV-E	93.658	24731513	72,989	-
Total Program 93.658			82,798	-
Total Passed Through the State Department of Family and Protective Services			82,798	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			82,798	-
EXECUTIVE OFFICE OF THE PRESIDENT				
Direct Program: High Intensity Drug Trafficking Areas	95.001	G17HN0018A	131,343	-
Total Program 95.001			131,343	-
Total Direct Program			131,343	-
TOTAL EXECUTIVE OFFICE OF THE PRESIDENT			131,343	-
FEDERAL EMERGENCY MANAGEMENT AGENCY				
Passed Through the Texas Water Development Board: Texas Hurricane Harvey	97.036	1600012123	36,062	-
Total Total Program 97.037			36,062	-
Total Total Passed Through the Texas Water Development Board			36,062	-
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY			36,062	-
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed Through the State Criminal Justice Division: HSGP-Montgomery County Community Preparedness & Regional Planning	97.067	2976303	73,877	-
HSGP-Montgomery County Community Preparedness & Regional Planning	97.067	2976304	147,686	-
HSGP-Montgomery County Regional HazMat Team Sustainment	97.067	2976402	196,704	-
HSGP- Montgomery County EOC Sustainment	97.067	2976902	159,089	-
HSGP- Montgomery County EOC Enhancement/Regional Technology Sustainment	97.067	2976903	48,195	-
HSGP- Montgomery County EOC/Regional Technology Sustainment	97.067	2976904	131,270	-
HSGP- Montgomery County Public Safety Video Initiative	97.067	2977002	706,243	-
HSGP- Montgomery County First Responder FC Specialized Team Sustainment	97.067	3419301	162,542	-
HSGP- Montgomery County First Responder LE Special Response	97.067	3420701	2,556	-
HSGP- Montgomery County First Responder LE Special Response	97.067	3420702	90,000	-
HSGP- Montgomery County EOC Enhancement/Regional Technology	97.067	3694701	1,983	-
HSGP- Montgomery County LE SWAT Sustainment	97.067	3664601	31,120	-
HSGP- Montgomery County M&A	97.067	2986503	8,277	-
HSGP- Montgomery County M&A	97.067	2986504	24,907	-
Total Program 97.067			1,784,449	-
Total Passed Through the State Criminal Justice Division			1,784,449	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			1,784,449	-

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, 2019

Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA # Number	Project Number	Grant Funds Expended	Pass-Through Amount to Subrecipients
CENTERS FOR DISEASE CONTROL AND PREVENTION				
Passed Through the Department of Health and Human Services				
Hurricane Harvey Crisis Project-Vector Control	93.354	HHS000371500012	158,205	-
Total Program 93.354			158,205	-
Total Passed Through the Department of Health and Human Services				
			158,205	-
TOTAL CENTERS FOR DISEASE CONTROL AND PREVENTION				
			158,205	-
TOTAL FEDERAL FUNDING				
			5,934,242	580,394
STATE FUNDING:				
TEXAS VETERAN'S COMMISSION				
Direct Program:				
Veteran's Court Program- TVC	N/A	VTC_18_0604	70,787	-
Veteran's Court Program- TVC	N/A	VTC-19-0002	35,048	-
Total Direct Program			105,835	-
TOTAL TEXAS VETERAN'S COMMISSION				
			105,835	-
TEXAS DEPARTMENT OF MOTOR VEHICLES				
Direct Program:				
Motor Vehicle Salvage/Theft Reduction Inspn-25	N/A	608-19-1700000	172,520	121,458
Motor Vehicle Salvage/Theft Reduction Inspn-26	N/A	608-20-1700000	14,687	10,657
Total Direct Program			187,207	132,115
TOTAL TEXAS DEPARTMENT OF MOTOR VEHICLES				
			187,207	132,115
TEXAS DEPARTMENT OF TRANSPORTATION				
Direct Program:				
Routine Airport Maintenance Program	N/A	M1912CONR	22,674	-
Total Direct Program			22,674	-
TOTAL TEXAS DEPARTMENT OF TRANSPORTATION				
			22,674	-
TEXAS STATE OFFICE OF THE ATTORNEY GENERAL				
Direct Program:				
SAVNS Maintenance Grant, FY 19	N/A	1990563	26,168	-
SAVNS Maintenance Grant, FY 20	N/A	2003887	2,514	-
Total Direct Program			28,682	-
TOTAL TEXAS STATE OFFICE OF THE ATTORNEY GENERAL				
			28,682	-
TEXAS INDIGENT DEFENSE COMMISSION				
Direct Program:				
Indigent Defense Services - Formula Grant	N/A	212-19-170	439,925	-
Total Direct Program			439,925	-
TOTAL TEXAS INDIGENT DEFENSE COMMISSION				
			439,925	-
GENERAL APPROPRIATIONS ACT- "RIDER 97"				
Passed Through Texas Department of State Health Services:				
Forensic Hospital Services	N/A	2016-048567-001B	15,688,326	-
Forensic Hospital Services	N/A	2016-048567-001C	1,249,609	-
Total Passed Through Texas Department of State Health Services			16,937,935	-
TOTAL GENERAL APPROPRIATIONS ACT- "RIDER 97"				
			16,937,935	-
HOUSTON-GALVESTON AREA COUNCIL				
Direct Program:				
Regional Juvenile Mental Health Services, FY 19	N/A	N/A	18,500	-
Total Direct Program			18,500	-
TOTAL HOUSTON-GALVESTON AREA COUNCIL				
			18,500	-
TOTAL STATE FUNDING				
			17,740,758	132,115
LOCAL FUNDING:				
THE NRA FOUNDATION				
Direct Program:				
FY19 Training Equipment Project	N/A	JEU9X8	3,710	-
FY19 Training Grant	N/A	19TXE026	3,671	-
FY19 Training Grant	N/A	19TXE05	2,978	-
Total Direct Program			10,359	-
TOTAL THE NRA FOUNDATION				
			10,359	-
EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT				
Direct Program:				
Body Cameras	N/A	N/A	4,800	-
Emergency Response Equipment	N/A	N/A	48,801	-
Total Direct Program			53,601	-
TOTAL EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT				
			53,601	-
PETCO FOUNDATION				
Direct Program:				
Hurricane Harvey2	N/A	N/A	127,163	-
2018 Petco	N/A	N/A	86,080	-
Total Direct Program			213,243	-
TOTAL PETCO FOUNDATION				
			213,243	-

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, 2019

Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA # Number	Project Number	Grant Funds Expended	Pass-Through Amount to Subrecipients
PETSMART CHARITIES				
Direct Program:				
<i>FY18 Pet Retention Grant</i>	N/A	N/A	1,120	-
Total Direct Program			1,120	-
TOTAL PETSMART CHARITIES			1,120	-
WWW FOUNDATION				
Direct Program:				
<i>WWW Foundation Award</i>	N/A	N/A	1,387	-
Total Direct Program			1,387	-
TOTAL WWW FOUNDATION			1,387	-
TRI-COUNTY HEALTH ALLIANCE				
Direct Program:				
<i>Mobile AED's and Tourniquets</i>	N/A	N/A	3,399	-
Total Direct Program			3,399	-
TOTAL TRI-COUNTY HEALTH ALLIANCE			3,399	-
MONTGOMERY COUNTY EMERGENCY COMMUNICATIONS DISTRICT				
Direct Program:				
<i>FY19 PSAP</i>	N/A	N/A	59,334	-
Total Direct Program			59,334	-
TOTAL MONTGOMERY COUNTY EMERGENCY COMMUNICATIONS DISTRICT			59,334	-
TOTAL LOCAL FUNDING			342,443	-
GRAND TOTAL ALL FUNDING			\$ 24,017,443	\$ 712,509

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, 2019

Note 1. General

The accompanying schedule of expenditures of federal and state awards presents the activity of all applicable federal and state awards of 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 and state 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 State of Texas *Uniform Grant Management Standards* (UGMS).

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 and state 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 and state 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 and State Grant Funds

The period of availability for federal and state grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the project period extended 90 days beyond the project period ending date.

Note 4. Relationship to Federal and State Financial Reports

Grant expenditure reports as of September 30, 2019, 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, 2019

Section 1. Summary of Auditors' Results

Financial Statements

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?	Yes
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	CDBG – Entitlement Grants Cluster 14,218
8. Identification of Major State Programs	Forensic Hospital Services 2016-048567-001B 2016-048567-001C
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	\$536,186
11. Auditee Qualified as a Low-Risk Auditee?	Yes

Montgomery County, Texas

Schedule of Findings and Questioned Costs – Continued
For the Fiscal Year Ended September 30, 2019

Section 2. Financial Statement Findings

2019-001 Significant Deficiency in Internal Control in Investment Reconciliation

1. Findings Related to Internal Control over Financial Reporting

Criteria

Management is responsible for the accuracy and completeness of all financial records and related information and for establishing and maintaining effective internal control over financial reporting. The existence of a material misstatement of an entity's financial statements is an indication of a significant deficiency in internal control.

Condition:

During our audit procedures, we identified a misstatement in the County's investments. The reconciliation reported a difference of approximately \$1.6 million. The financial statements were adjusted by management to correct the misstatement identified during the audit.

Cause:

The investments were not fully reconciled to year-end investment statements.

Effect or Potential Effect:

Misstatements of the County's financial statements were not prevented, or detected and corrected, by the County's system of internal control. Failure to establish effective monitoring and closing procedures may allow material misstatements to exist and be reported without notice.

Corrective Action Plan of Management:

In addition to correcting the misstatements identified during the audit by adjusting the financial statements accordingly, the County has created a new accounting position, Financial Analyst, primarily dedicated to ensuring the Toll Road Authority Enterprise Fund account is accurate and complete with appropriate supporting documentation of transactions and investments. The Financial Analyst's functions and accounting transactions will be continually monitored, reviewed, and approved by management (including monthly reconciliation of account investments) to ensure the ongoing detection and prevention of misstatements to the financial statements.

Estimated Completion Date:

March 31, 2020

Montgomery County Contact Person:

Rakesh Pandey, County Auditor

Section 3. Federal and State Award Findings and Questioned Costs

None reported

Montgomery County, Texas
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended September 30, 2019

Prior Year Findings

None reported