

# ORDER #2020-04

**WHEREAS**, the Commissioners' Court of Panola County desires to employ independent auditors to handle the independent audit for financial matters of Panola County for Fiscal Year 2020; and

**WHEREAS**, Article 262.024 V.T.C.A. grants an exemption from competitive bidding and competitive proposal requirements for professional services;

**NOW, THEREFORE**, the Panola County Commissioners' Court does hereby claim that exemption in the employment of Gollob Morgan Peddy, CPA's for matters pertaining to the independent audit for financial matters of Panola County for Fiscal Year 2020.

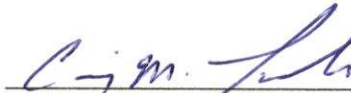
**PASSED, APPROVED, and ADOPTED** in Open Court this 21<sup>st</sup> day of July, 2020.



County Judge Lee Ann Jones



Honorable Ronnie LaGrone  
Commissioner, Precinct One



Honorable Craig M. Lawless  
Commissioner, Precinct Three



Honorable David Cole  
Commissioner, Precinct Two



Honorable Dale LaGrone  
Commissioner, Precinct Four

**ATTEST:**



County Clerk Bobbie Davis



July 6, 2020

Honorable County Commissioners Court  
and Management of Panola County, Texas  
Panola County Courthouse  
Carthage, Texas 75633

You have requested that we audit the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Panola County, Texas (County), as of December 31, 2020, and for the year then ended, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents of the Comprehensive Annual Financial Report (CAFR).

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, detail budgetary comparison information, and schedules of changes in liabilities and related ratios for the County's pension and benefit plans be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America, U.S. (GAAS). These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by accounting principles generally accepted in the United States of America. This RSI will be subjected to certain limited procedures but will not be audited:

- 1) Management's Discussion and Analysis.
- 2) Budgetary Information.
- 3) Schedule of Changes in the County's Net Pension Liability and Related Ratios
- 4) Schedule of Employer Contributions
- 5) Schedule of Changes in the County's Net OPEB Liability and Related Ratios – Health Plan
- 6) Schedule of Employer Contributions – Health Plan
- 7) Schedule of Changes in the County's Net OPEB Liability and Related Ratios – Supplemental Death Benefits Plan
- 8) Plan
- 9) Schedule of Employer Contributions – Supplemental Death Benefits Plan
- 10) Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP Basis) and Actual – General Fund
- 11) Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Road and Bridge Special Revenue Fund

Supplementary information other than RSI will accompany the County's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. We intend to provide an opinion on the following supplementary information in relation to the financial statements as a whole:

- 1) Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP Basis) and Actual – General Fund
- 2) Combining Balance Sheets – Non-Major Governmental Funds, Non-Major Special Revenue Funds, and Non-Major Capital Projects Funds
- 3) Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds, Non-Major Special Revenue Funds, and Non-Major Capital Projects Funds
- 4) Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Non-Major Special Revenue Funds and Non-Major Capital Projects Funds

- 5) Combining Statement of Changes in Assets and Liabilities – All Agency Funds
- 6) Capital Assets Schedules by Source, by Function and Activity and Changes in Function and Activity

Also, in connection with the issuance of the CAFR the document we submit to you will include the following other additional information that will not be subjected to the auditing procedures applied in our audit of the financial statements:

- 1) Letter of Transmittal and other introductory information.
- 2) Statistical data.

### **Audit of the Financial Statements**

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements.

An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements. If appropriate, our procedures will therefore include tests of documentary evidence that support the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of cash, investments, and certain other assets and liabilities by correspondence with creditors and financial institutions. As part of our audit process, we will request written representations from your attorneys, and they may bill you for responding. At the conclusion of our audit, we will also request certain written representations from you about the basic financial statements and related matters.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or noncompliance (whether cause by errors, fraudulent financial reporting, misappropriation of assets, detected abuse, or violations of laws or governmental regulations) may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS and *Government Auditing Standards* of the Comptroller General of the United States of America. Please note that the determination of abuse is subjective and *Government Auditing Standards* does not require auditors to detect abuse.

In making our risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit. Our responsibility as auditors is, of course, limited to the period covered by our audit and does not extend to any other periods.

We will issue a written report upon completion of our audit of the County's basic financial statements. Our report will be addressed to the commissioner's court of Panola County, Texas. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement. If our opinions on the basic financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

In accordance with the requirements of *Government Auditing Standards*, we will also issue a written report describing the scope of our testing over internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance over financial reporting will not be an objective of the audit and, therefore, no such opinion will be expressed.

### Management's Responsibilities

Our audit will be conducted on the basis that management acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the financial statements and related notes (including all schedules and tables that are a required part of the annual CAFR) in accordance with accounting principles generally accepted in the United States of America. As part of our audit, we will assist management with the preparation of the financial statements and related notes, as well as all applicable schedules and tables required for submission in your CAFR;
2. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements; and
3. To provide us with:
  - i. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, and relevant to federal award programs, such as records, documentation, and other matters;
  - ii. Additional information that we may request from management for the purpose of the audit; and
  - iii. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.
4. For adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year under audit are immaterial, both individually and in the aggregate, to the financial statements as a whole;
5. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets;
6. For informing us of any known or suspected fraud affecting the entity involving management, employees with significant role in internal control and others where fraud could have a material effect on the financials;
7. For the accuracy and completeness of all information provided.

With regard to the supplementary information referred to above, you acknowledge and understand your responsibility (a) for the acceptance of the preparation of the supplementary information in accordance with the applicable criteria, (b) to provide us with the appropriate written representations regarding supplementary information, (c) to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information, and (d) to present the supplementary information with the audited financial statements, or if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and our report thereon.

As part of our audit process, we will request from management and, when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit.

## ***Non-Attest Services***

With respect to any non-attest services we perform, including the preparation of the financial statements and related notes and the supplemental information and required supplemental information described on page one and two, the County's management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

## **Reporting**

We will issue a written report upon completion of our audit of the County's basic financial statements. Our report will be addressed to the Commissioner's Court of Panola County, Texas. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement. In accordance with the requirements of Government Auditing Standards, we will also issue a written report describing the scope of our testing over internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance will not be an objective of the audit and, therefore, no such opinion will be expressed.

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

## **Impact and Uncertainties Surrounding COVID-19**

At the date of this letter, we are unsure of the final impact that the COVID-19 pandemic may have and what the reporting requirements will be on the federal funding the County may receive through the CARES Act. The following outlines our current understanding:

### Single Audit Implications

Currently, there is no definitive guidance on whether funds received through the CARES Act will be susceptible to single audit testing. As of the date of this engagement letter, the management of the County is aware that it may receive funds that would fall under the CARES Act but the amount of this funding is uncertain. Should those funds require that the County would have to have a compliance audit under the Single Audit Act and the provisions of the Uniform Guidance, then we would need to present an addendum to this letter related to those compliance requirements as well as an estimate of additional fees.

We will discuss any fee estimate changes should that need arise. The grant award may outline that certain procedures are necessary to test expenditures of CARES Act funds, regardless of the amount, which would be outside of the scope of our audit services and then we may need to issue a separate engagement letter to outline the scope of those services that are needed.

## **Fees and Timing**

Upon acceptance of this engagement letter, we will meet with the County Auditor to map out a schedule for the audit. We expect to begin our audit as soon as mutually convenient after year-end and to issue our reports no later than your first Commissioners Court meeting in June 2021. As part of our engagement, we will consult with you regarding a time during October or November 2020 to conduct interim field work. We will also schedule a convenient time to meet with the County's predecessor audit firm to review the 12/31/19 audit workpapers and make necessary inquiries as required under generally accepted auditing standards.

Kevin R. Cashion, CPA is the engagement partner for the audit services specified in this letter. His responsibilities include supervising Gollob Morgan Peddy PC's services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.). Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Based on our preliminary estimates, the fee for audit service related to the County's CAFR, including travel, should approximate \$59,650. Our services will be invoiced monthly as the audit work progresses. Payment of our services will be due within 30 days of each invoice date. A finance charge of 6% simple interest, calculated at 0.5% per month, will be assessed on any unpaid balance after deduction of current payments made within thirty days of the date of billing. In accordance with our firm policies, work may be suspended if your account becomes 45 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. We will notify you immediately of any circumstances we encounter that could significantly affect this initial fee estimate. Whenever possible, we will attempt to use the County's personnel to assist in the preparation of schedules and analyses of accounts. This effort could substantially reduce our time requirements and facilitate the timely conclusion of the audit.

### Other Matters

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

During the course of the audit, we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

Regarding the electronic dissemination of audited financial statements, including financial statements published electronically on your Internet website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

You agree to inform us of facts that may affect the financial statements of which you may become aware during the period from the date of the auditor's report to the date of the financial statements are issued.

At the conclusion of our audit engagement, we will communicate to the Honorable County Commissioners Court and Management of Panola County, Texas the following findings from the audit:

- Our view about the qualitative aspects of the entity's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

In accordance with the requirements of *Government Auditing Standards*, we have attached a copy of our latest external peer review report of our firm for your consideration and files.

The audit documentation for this engagement is the property of Gollob Morgan Peddy PC and constitutes confidential information. However, we may be requested to make certain audit documentation available to federal agencies or designee or the U.S. Government Accountability Office pursuant to authority given to it by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of Gollob Morgan Peddy PC's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to these agencies and regulators. The regulators and agencies may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies. We agree to retain our audit documentation or work papers for a period of at least five years from the date of our report.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements compliance over major federal award programs including our respective responsibilities.

We appreciate the opportunity to be your financial statement auditors and look forward to working with you and your staff.

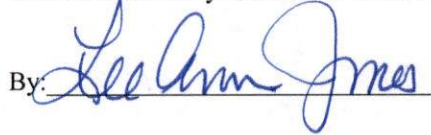
Sincerely,

GOLLOB MORGAN PEDDY PC

  
Kevin R. Cashion, CPA

RESPONSE:

This letter correctly sets forth the understanding of Panola County, Texas.

By: 

Title: County Judge Panola County, Texas

Date: 7-21-20

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# GLASS & COMPANY

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CERTIFIED PUBLIC ACCOUNTANTS, P.C.

## **June Report on the Firm's System of Quality Control**

December 19, 2018

To the Shareholders of Gollob Morgan & Peddy, PC  
and the Peer Review Committee of the TSCPA

We have reviewed the system of quality control for the accounting and auditing practice of Gollob Morgan & Peddy, PC (the firm) in effect for the year ended June 30, 2018. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary). The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

### **Firm's Responsibility**

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

### **Peer Reviewer's Responsibility**

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

### **Required Selections and Considerations**

Engagements selected for review included engagements performed under *Government Auditing Standards*, including a compliance audit under the Single Audit Act and audits of employee benefit plans.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.



GLASS & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

Gollob Morgan & Peddy, PC  
December 19, 2018  
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**Opinion**

In our opinion, the system of quality control for the accounting and auditing practice of Gollob Morgan & Peddy, PC in effect for the year ended June 30, 2018, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Gollob Morgan & Peddy, PC has received a peer review rating of *pass*.

*Glass & Company*

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