

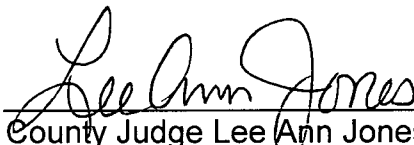
# ORDER #2021-06


**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 2021; 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 2021.


**PASSED, APPROVED, and ADOPTED** in Open Court this 3<sup>rd</sup> day of August, 2021.

  
County Judge Lee Ann Jones

  
Honorable Billy Alexander  
Commissioner, Precinct One

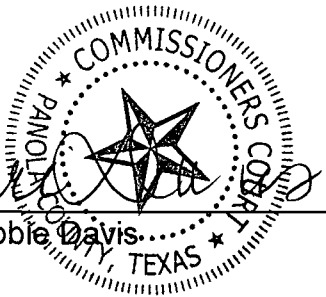
  
Honorable Craig M. Lawless  
Commissioner, Precinct Three

  
Honorable David Cole  
Commissioner, Precinct Two

  
Honorable Dale LaGrone  
Commissioner, Precinct Four

**ATTEST:**

  
County Clerk Bobbie Davis



July 18, 2021

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, 2021, 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)

In addition, we will audit the County's compliance over major federal award programs for the period ended December 31, 2021. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audits will be conducted with the objectives of our expressing an opinion on each opinion unit and an opinion on compliance regarding the entity's major federal award programs

We will also assess the County's need to have a State Single Audit and conduct the necessary compliance over those state programs for the period ending December 31, 2021.

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.

### **Schedule of Expenditures of Federal Awards**

We will subject the schedule of expenditures of federal awards to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling the schedule 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 whether the schedule of expenditures of federal awards is presented fairly in all material respects in relation to the financial statements as a whole

### **Data Collection Form**

Prior to the completion of our engagement, we will complete the sections of the Data Collection Form that are our responsibility. The form will summarize our audit findings, amounts and conclusions. It is management's responsibility to submit a reporting package including financial statements, schedule of expenditure of federal awards, summary schedule of prior audit findings and corrective action plan along with the Data Collection Form to the federal audit clearinghouse. The financial reporting package must be text searchable, unencrypted, and unlocked. Otherwise, the reporting package will not be accepted by the federal audit clearinghouse. We will assist you in the electronic submission and certification. You may request from us copies of our report for you to include with the reporting package submitted to pass-through entities.

The Data Collection Form is required to be submitted within the *earlier* of 30 days after receipt of our auditors' reports or nine months after the end of the audit period, unless specifically waived by a federal cognizant or oversight agency for audits. Data Collection Forms submitted untimely are one of the factors in assessing programs at a higher risk.

### **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.

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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 caused 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.

### **Audit of Major Program Compliance**

Our audit of the County's major federal award program(s) compliance will be conducted in accordance with the requirements of the Single Audit Act, as amended; and the provisions of the Uniform Guidance; and will include tests of accounting records, a determination of major programs in accordance with the Uniform Guidance, and other procedures we consider necessary to enable us to express such an opinion on major federal award program compliance and to render the required reports. We cannot provide assurance that an unmodified opinion on compliance will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or withdraw from the engagement.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the entity has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major federal award programs. Our procedures will consist of determining major federal programs and performing the applicable procedures described in the U.S. Office of Management and Budget *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the entity's major programs. The purpose of those procedures will be to express an opinion on the entity's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

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Also, as required by the Uniform Guidance, we will perform tests of controls to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each of the entity's major federal award programs. However, our tests will be less in scope than would be necessary to render an opinion on these controls and, accordingly, no opinion will be expressed in our report.

We will issue a report on compliance that will include an opinion or disclaimer of opinion regarding the entity's major federal award programs, and a report on internal controls over compliance that will report any significant deficiencies and material weaknesses identified; however, such report will not express an opinion on internal control

### **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.
- 8 For identifying, in its accounts, all federal awards received and expended during the period and the federal programs under which they were received in accordance with the Uniform Guidance (generally received after December 26, 2014),
9. For maintaining records that adequately identify the source and application of funds for federally funded activities;
10. For review and acceptance of the preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in accordance with the Uniform Guidance requirements. As part of our audit, we will assist in the preparation of the schedule of expenditures of federal awards and related notes to that schedule,
- 11 For the design, implementation, and maintenance of internal control over federal awards,
12. For establishing and maintaining effective internal control over federal awards that provides reasonable assurance that the nonfederal entity is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards;

- 13 For identifying and ensuring that the entity complies with federal statutes, regulations, and the terms and conditions of federal award programs and implementing systems designed to achieve compliance with applicable federal statutes, regulations, and the terms and conditions of federal awards programs,
- 14 For disclosing accurately, currently and completely the financial results of each federal award in accordance with the requirements of the award;
15. For identifying and providing report copies of previous audits, attestation engagements, or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented;
16. For taking prompt action when instances of noncompliance are identified;
17. For addressing the findings and recommendations of auditors, for establishing and maintaining a process to track the status of such findings and recommendations and taking corrective action on reported audit findings from prior periods and preparing a summary schedule of prior audit findings,
18. For following up and taking corrective action on current year audit findings and preparing a corrective action plan for such findings,
19. For submitting the reporting package and data collection form to the appropriate parties,
- 20 For making the auditor aware of any significant vendor relationships where the vendor is responsible for program compliance,
21. For taking reasonable measures to safeguard protected personally identifiable and other sensitive information; and
- 22 For confirming your understanding of your responsibilities as defined in this letter to us in your management representation letter.

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

We will not assume any management responsibilities on behalf of the County. However, we will provide advice and recommendations to assist management of the County in performing its responsibilities.

### **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.

### **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 2022. As part of our engagement, we will consult with you regarding a time during November or December 2021 to conduct interim field work.

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 \$64,500 and should a Single Audit be required, that fee should approximate \$6,000. 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*

Kevin R. Cashion, CPA

RESPONSE:

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

By: *Lee Ann Jones*

Title: County Judge Panola County, Texas

Date: 8-3-2021

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July 18, 2021

To the Honorable County Commissioners Court  
and Management of Panola County, Texas

This letter is provided in connection with our engagement to audit the financial statements and to audit compliance over major federal award programs of Panola County, Texas as of and for the year ended December 31, 2021. Professional standards require that we communicate with you certain items including our responsibilities with regard to the financial statement audit and the planned scope and timing of our audit.

### **Our Responsibilities**

As stated in our engagement letter dated July 18, 2021, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS), and in accordance with *Government Auditing Standards* of the Comptroller General of the United States of America, the requirements of the Single Audit Act, as amended, and the provisions of 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) for the purpose of forming and expressing opinions on the financial statements and on major federal award program compliance. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility for supplementary information required by the Government Accounting Standards Board, and included in the document containing the audited financial statements and our report thereon includes only the information identified in our report. We have no responsibility for determining whether the required supplementary information is properly stated.

Our responsibility as it relates to the schedule of expenditures of federal awards is to evaluate its presentation for the purpose of forming and expressing an opinion as to whether it is presented fairly in all material respects in relation to the financial statements as a whole.

Our responsibility as it relates to additional supplementary information is to evaluate its presentation for the purpose of forming and expressing an opinion as to whether the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Planned Scope of the Audit**

Our audit will include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Our audit procedures will also include determining major federal programs and performing the applicable procedures described in the U.S. Office of Management and Budget *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the entity's major federal programs.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or material noncompliance may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS, *Government Auditing Standards* of the Comptroller General of the United States of America, the requirements of the Single Audit Act, as amended, and the provisions of the Uniform Guidance.

Our audits will include obtaining an understanding of the entity and its environment, including its internal control, sufficient to assess the risks of material misstatement of the financial statements, the risk of material noncompliance in the major federal awards programs, and as a basis for designing the nature, timing, and extent of further audit procedures. However, we will communicate to you at the conclusion of our audit, significant matters that are relevant to your responsibilities in overseeing the financial reporting process, including any material weaknesses, significant deficiencies, and violation of laws or regulations that come to our attention. 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 conduct our planning for the audit and will schedule a time to conduct interim field work at the County's offices some time during November or December 2021. We will conduct our final field work beginning April 2022 and we plan to issue our final report to the Commissioners Court in the June 2022 meeting.

This information is intended solely for the information and use of the Commissioners Court and management of Smith County, Texas and is not intended to be and should not be used by anyone other than these specified parties

*Gollob Morgan Peddy PC*

Certified Public Accountants  
Tyler, Texas