

City of McKinney, Texas

Single Audit Reports

September 30, 2015

City of McKinney, Texas
Year Ended September 30, 2015

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City of McKinney, Texas
Schedules of Expenditures of Federal and State Awards
Year Ended September 30, 2015

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount Expended
Homeland Security Grant Program	U.S. Department of Homeland Security	97.067	EMW-2013-SS-00045	\$ 130,788
			EMW-2012-SS-00045	5,023
	Total U.S. Department of Homeland Security			<u>135,811</u>
Bulletproof Vest Partnership Program	U.S. Department of Justice	16.607	GR1401	6,522
Edward Byrne Memorial Justice Assistance Grant Program	U.S. Department of Justice/City of Plano	16.738	2014-H1534-TX-DJ	12,883
	Total U.S. Department of Justice			<u>19,405</u>
Grants to States	U.S. Institute of Museum and Library Services/Texas State Library and Archives Commission	45.310	LS-00-14-0044-14	12,563
	Total U.S. Institute of Museum and Library Services			<u>12,563</u>
Watershed Rehabilitation Program	U.S. Department of Agriculture	10.916	69-7442-14-985	1,647,067
	Total U.S. Department of Agriculture			<u>1,647,067</u>
Community Development Block Grants/ Entitlement Grants	U.S. Department of Housing & Urban Development	14.218	B-13-MC-48-0043	76,838
			B-14-MC-48-0043	594,888
				<u>671,726</u>
<i>Housing Voucher Cluster</i>				
Section 8 Housing Choice Vouchers	U.S. Department of Housing & Urban Development/Texas Department of Housing & Community Affairs	14.871	1001806	89,178
			1001736	14,368
	<i>Total Housing Voucher Cluster</i>			<u>103,546</u>
	Total U.S. Department of Housing & Urban Development			<u>775,272</u>
Total Federal Awards Expended				<u>\$ 2,590,118</u>

City of McKinney, Texas
Schedules of Expenditures of Federal and State Awards (Continued)
Year Ended September 30, 2015

Granting Agency/Grant Program	Grant or Identifying Number	Amount Expended
North Central Texas Council of Governments		
Job Access/Reverse Commute Program (JARC)	GR1106	\$ 83,333
Texas State Soil and Water Conservation Board		
Flood Control Structural Repair Grant Program	DR7158	380,724
Texas Department of Transportation (TXDOT)		
Routine Airport Maintenance Program (RAMP)	M1518MCKN	50,000
Stacy Road	0918-24-199	<u>69,069</u>
Total Texas Department of Transportation (TXDOT)		<u>119,069</u>
Total State Awards Expended		<u>583,126</u>
Total Federal and State Awards Expended		<u><u>\$ 3,173,244</u></u>

City of McKinney, Texas
Notes to Schedules of Expenditures of Federal and State Awards
Year Ended September 30, 2015

Notes to Schedule

1. This schedule includes the federal and state awards activity of the City of McKinney, Texas and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Texas *Uniform Grant Management Standards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. Of the federal and state expenditures presented in this schedule, the City of McKinney, Texas, provided no federal or state awards to subrecipients during the year ended September 30, 2015.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and the State of Texas *Uniform Grant Management Standards*

The Honorable Mayor and Members of the City Council
City of McKinney, Texas
McKinney, Texas

We have audited, in accordance with the 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 and the State of Texas *Uniform Grant Management Standards*, issued by the Texas Comptroller of Public Accounts, 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 the City of McKinney, Texas (City), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 2, 2016, which contained an Emphasis of a Matter paragraph regarding a change in accounting principle.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the City's 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City'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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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* or State of Texas *Uniform Grant Management Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the State of Texas *Uniform Grant Management Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Dallas, Texas
February 2, 2016

Report on Compliance for Each Major Federal and State Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal and State Awards Required by OMB Circular A-133 and the State of Texas Uniform Grant Management Standards

Independent Auditor's Report

The Honorable Mayor and Members of the City Council
City of McKinney, Texas
McKinney, Texas

Report on Compliance for a Major Federal and State Program

We have audited the City of McKinney, Texas (City) compliance with the types of compliance requirements described in the *OMB Circular Supplement* and the State of Texas *Uniform Grant Management Standards* that could have a direct and material effect on its major federal and state programs for the year ended September 30, 2015. The City'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 the requirements of laws, regulations, contracts and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City'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, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Texas *Uniform Grant Management Standards*. Those standards, OMB Circular A-133 and the State of Texas *Uniform Grant Management Standards* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the City'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 City's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal and state program for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of the City 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 City'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 our opinion on compliance for each major federal and state program, and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State of Texas *Uniform Grant Management Standards*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City'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 or 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 or 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 or 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 OMB Circular A-133 and the State of Texas *Uniform Grant Management Standards*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal and State Awards Required by OMB Circular A-133 and the State of Texas Uniform Grant Management Standards

We have audited 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 the City of McKinney, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 2, 2016, which contained an unmodified opinion on those financial statements. Our audit was performed 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 OMB Circular A-133 and the State of Texas *Uniform Grant Management Standards* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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.

BKD, LLP

Dallas, Texas
February 2, 2016

City of McKinney, Texas
Schedule of Findings and Questioned Costs
Year Ended September 30, 2015

Summary of Auditor's Results

1. The opinions expressed in the independent auditor's report were:
 Unmodified Qualified Adverse Disclaimer
2. The independent auditor's report on internal control over financial reporting disclosed:
Significant deficiency(ies)? Yes None reported
Material weakness(es)? Yes No
3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

Federal Awards

4. The independent auditor's report on internal control over compliance for a major federal awards program disclosed:
Significant deficiency(ies)? Yes None reported
Material weakness(es)? Yes No
5. The opinion expressed in the independent auditor's report on compliance for a major federal award was:
 Unmodified Qualified Adverse Disclaimer
6. The audit disclosed findings required to be reported by OMB Circular A-133? Yes No

City of McKinney, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2015

7. The City's major federal program was:

Cluster/Program	CFDA Number
Watershed Rehabilitation Program	10.916

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$300,000.

9. The City qualified as a low-risk auditee as that term is defined in OMB Circular A-133? Yes No

State Awards

10. The independent auditor's report on internal control over compliance for a major state award program disclosed:

Significant deficiency(ies)? Yes None reported

Material weakness(es)? Yes No

11. The opinions expressed in the independent auditor's report on compliance for a major state award were:

Unmodified Qualified Adverse Disclaimer

12. The audit disclosed findings required to be reported by the State of Texas *Uniform Grant Management Standards*: Yes No

13. The City's major state program was:

Grant Program
Flood Control Structural Repair Grant Program

14. The threshold used to distinguish between Type A and Type B programs as those terms are defined in the State of Texas *Uniform Grant Management Standards* was \$300,000.

15. The City qualified as a low-risk auditee as that term is defined in the State of Texas *Uniform Grant Management Standards*? Yes No

City of McKinney, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2015

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
No matters are reportable.	

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
No matters are reportable.		

Findings Required to be Reported by the State of Texas Uniform Grant Management Standards

Reference Number	Finding	Questioned Costs
No matters are reportable.		

City of McKinney, Texas
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2015

Findings Required to be Reported by OMB Circular A-133

Reference Number	Summary of Finding	Status
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No matters are reportable.

Findings Required to be Reported by the State of Texas Uniform Grant Management Standards

Reference Number	Summary of Finding	Status
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No matters are reportable.