

City of McKinney, Texas

Single Audit Report

For the Fiscal Year Ended September 30, 2020

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Table of Contents

Page

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 <i>Government Auditing Standards</i>	1
Independent Auditor’s 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 the Uniform Guidance and the State of Texas <i>Uniform Grant Management Standards</i>	3
Schedule of Expenditures of Federal and State Awards	6
Notes to Schedule of Expenditures of Federal and State Awards	9
Schedule of Findings and Questioned Costs	10



**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***

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

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, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of McKinney, Texas (the City) as of and for the year ended September 30, 2020, 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 10, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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 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 financial statements. 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*.

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

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* in considering the City'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.

Dallas, Texas
February 10, 2021



Independent Auditor's 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 the Uniform Guidance and the State of Texas *Uniform Grant Management Standards*

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

Report on Compliance for Each Major Federal and State Program

We have audited the City of McKinney, Texas (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the State of Texas *Uniform Grant Management Standards* issued by the Texas Governor's Office of Budget and Planning that could have a direct and material effect on each of the City's major federal and state programs for the year ended September 30, 2020. 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 federal 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 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; 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 *Uniform Grant Management Standards* issued by the Texas Governor's Office of Budget and Planning. Those standards, the Uniform Guidance, 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 of its major federal and state programs for the year ended September 30, 2020.

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

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 an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with Uniform Guidance and 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 Uniform Guidance and the State of Texas *Uniform Grant Management Standards*. Accordingly, this report is not suitable for any other purpose.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic statements. We issued our report thereon dated February 10, 2021, which contained an unmodified opinion 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 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 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.

Dallas, Texas
February 10, 2021

City of McKinney, Texas
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended September 30, 2020

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Grantor or Pass-Through Grantor's Number	Program Award Expenditures	Passed Through To Subrecipients
U.S. DEPARTMENT OF HOMELAND SECURITY				
Direct Programs:				
Homeland Security Grant Program	97.067	3691901	\$ 45,000	\$ -
Homeland Security Grant Program	97.067	3690701	74,063	-
Passed through Texas Office of the Governor - Homeland Security Grants Division:				
Homeland Security Grant Program	97.067	3616301	5,474	-
Homeland Security Grant Program	97.067	3916201	45,000	-
Total CFDA #97.067			169,537	-
Direct Programs:				
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2017-FH-00144	428,587	-
Total U.S. Department of Homeland Security			598,124	-
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Programs:				
Community Development Block Grants/Entitlement Grants Cluster	14.218	B19MC480043	588,891	86,784
Passed through Texas Department of Housing & Community Affairs:				
Tenant Based Rental Assistance (TBRA)	14.239	1002853	83,274	-
Total U.S. Department of Housing and Urban Development			672,165	86,784
U.S. DEPARTMENT OF AGRICULTURE				
Direct Programs:				
Watershed Rehabilitation Program	10.916	EFAL4-FED-59052	2,379,853	-
Total U.S. Department of Agriculture			2,379,853	-
U.S. DEPARTMENT OF JUSTICE				
Direct Programs:				
Federal Seizures - Equitable Sharing	16.922	TX0430500	76,166	-
Victims of Crime Assistance Formula Grant	16.575	3376602	58,837	-
Edward Byrne Justice Assistance Grant Program - COVID-19	16.738	N/A	30,229	-
Passed through City of Plano:				
Edward Byrne Justice Assistance Grant Program	16.738	2019-DJ-BX-0571	14,115	-
Total U.S. Department of Justice			179,347	-
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through Texas Department of Transportation:				
Airport Improvement Program	20.106	17MPMCKNY	8,915	-
Airport Improvement Program	20.106	1918MCKNY	322,813	-
Airport Improvement Program	20.106	2018MCKNY	582,425	-
Total CFDA #20.106			914,153	-
Direct Programs:				
Urbanized Area Formula Program - Federal Transit Cluster	20.507	TX-2019-025-00	105,503	-
Direct Programs:				
STEP Comprehensive - Highway Safety Cluster	20.600	2020-McKinney-S-1YG-00107	67,943	-
Total U.S. Department of Transportation			1,087,599	-

See accompanying Notes to the Schedule of Expenditures of Federal and State Awards.

City of McKinney, Texas

Schedule of Expenditures of Federal and State Awards – Continued For the Fiscal Year Ended September 30, 2020

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Grantor or Pass-Through Grantor's Number	Program Award Expenditures	Passed Through To Subrecipients
U.S. DEPARTMENT OF TREASURY				
Passed through Collin County:				
Coronavirus Aid, Relief and Economic Security Act - Municipal Direct Expense Funding	21.019	N/A	8,961,155	4,174,000
Coronavirus Aid, Relief and Economic Security Act - COVID-19 Emergency Housing and Living Assistance Program	21.019	N/A	2,030,698	2,030,698
Coronavirus Aid, Relief and Economic Security Act - COVID-19 Emergency Housing and Living Assistance Program - Food Card Program	21.019	N/A	1,010,700	1,010,700
Total CFDA #21.019			12,002,553	7,215,398
Total U.S. Department of Treasury			12,002,553	7,215,398
INSTITUTE OF MUSEUM AND LIBRARY SERVICES				
Passed through National Endowment for Arts (NEA):				
Texas Care Act	45.025	20-77746498	1,362	-
Total Institute of Museum and Library Services			1,362	-
TOTAL FEDERAL ASSISTANCE			\$ 16,921,003	\$ 7,302,182

See accompanying Notes to the Schedule of Expenditures of Federal and State Awards.

City of McKinney, Texas

Schedule of Expenditures of Federal and State Awards – Continued

For the Fiscal Year Ended September 30, 2020

State Grantor/Pass-Through Grantor Program Title	Grantor or Pass-Through Grantor's Number	Program Award Expenditures
NORTH CENTRAL TEXAS COUNCIL OF GOVERNMENTS		
JARC - MUTD	GR1806	\$ 6,539
Total Texas Department of Transportation		6,539
TEXAS STATE SOIL AND WATER CONSERVATION BOARD		
Dam Rehab NRCS Lake-4	EFAL4-RHB-ST2-009-20	688,328
Total Texas State Soil and Water Conservation Board		688,328
TEXAS HISTORICAL COMMISSION		
THS-MPAC	GR1911	14,600
Total Texas Historical Commission		14,600
TEXAS CARES ACT		
Monarch Butterflies	20-46498	5,625
Total Texas Cares Act		5,625
TEXAS DEPARTMENT OF TRANSPORTATION		
McKinney Urban Transit	URB 1902(33)	221,097
Routine Airport Maintenance Program	M2018MCKN	50,000
Airport Cares Grant	N/A	157,000
Custer Road Utility Relocations	CSJ:2351-01-022, -02-015	5,874,336
Total Texas Department of Transportation		6,302,433
NORTH CENTRAL TEXAS TRAUMA REGIONAL ADVISORY COUNCIL		
EMS NCTRAC	N/A	3,447
Total North Central Texas Trauma Regional Advisory Council		3,447
TEXAS DEPARTMENT OF HEALTH AND HUMAN SERVICES		
EMS - COVID-19	N/A	41,815
Total Texas Department of Health and Human Services		41,815
TOTAL STATE ASSISTANCE		\$ 7,062,787

See accompanying Notes to the Schedule of Expenditures of Federal and State Awards.

City of McKinney, Texas

Notes to the Schedule of Expenditures of Federal and State Awards

Note 1. General and Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (Schedule) includes the federal and state award activity of the City of McKinney, Texas (City) under programs of the federal and state governments for the year ended September 30, 2020. The accompanying notes are an integral part of this Schedule. The information in this Schedule is presented 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 the State of Texas *Uniform Grant Management Standards* issued by the Texas Governor's Office of Budget and Planning. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 2. Subrecipients

Of the state expenditures presented in the Schedule, the City provided no state awards to subrecipients.

Note 3. Non-Cash Assistance

The City received non-cash assistance from Texas Department of Transportation in the form of capital assets during the fiscal year ended September 30, 2020. The expenditures are listed within the Schedule of Federal Awards under the Airport Improvement Program for \$914,153.

Note 4. Loans

At September 30, 2020, the City had no loans or loan guarantees outstanding with federal or state awarding agencies.

Note 5. Indirect Cost Rate

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

City of McKinney, Texas

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended September 30, 2020

Section 1. Summary of Auditor's Results

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None reported

Noncompliance material to the financial statements noted? Yes No

Federal and State Awards

An unmodified opinion was issued on compliance for the major programs.

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weakness(es)? Yes None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) or State of Texas *Uniform Grant Management Standards*? Yes No

Identification of major programs:

CFDA Number/Grant Identification Number

Major Federal Programs:

20.106
21.019

Name of Federal and State Program or Cluster

Airport Improvement Program
Coronavirus Aid, Relief, and Economic Security Grant (CARES)

Major State Program:

CSJ: 2351-01-022, -02-015

Custer Road Utility Relocations

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000 for federal programs
\$300,000 for state programs

Auditee qualified as low-risk auditee? Yes No

City of McKinney, Texas

Schedule of Findings and Questioned Costs – Continued
For the Fiscal Year Ended September 30, 2020

Section 2. Financial Statement Findings

None

Section 3. Federal and State Award Findings and Questioned Costs

None

Section 4. Schedule of Prior Year Findings and Questioned Costs

None