City of Denton, Texas

Federal and State Single Audit Reports
Year Ended September 30, 2023

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable Mayor and City Council of the
City of Denton, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Denton, Texas, (the City), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 12, 2024.

Report on 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 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 entity's financial statements will not be prevented. or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 or significant deficiencies may exist that have not been identified.

Report on 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 City Council of the
City of Denton, 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 12, 2024

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 Grant Management Standards

The Honorable Mayor and City Council of the
City of Denton, Texas

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited City of Denton, Texas (the City)'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* 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, 2023. 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.

In our opinion, the City complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal and State Programs

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit 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 Grant Management Standards (TxGMS). Our responsibilities under those standards, the Uniform Guidance, and TxGMS are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal and state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and TxGMS will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and TxGMS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and TxGMS, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal and state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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.

The Honorable Mayor and City Council of
City of Denton, Texas

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and TxGMS. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and TxGMS

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 12, 2024, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and TxGMS 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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 12, 2024

City of Denton, Texas

Schedule of Expenditures of Federal and State Awards
For the Year Ended September 30, 2023

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	GRANT I.D.NUMBER	FEDERAL ASSISTANCE LISTING NUMBER	EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
FEDERAL AWARDS				
U.S. Department of Housing and Urban Development				
Community Development Block Grant	B-16-MC-48-0036	14.218	$ 6,433	$ -
Community Development Block Grant	B-17-MC-48-0036	14.218	24,735	-
Community Development Block Grant	B-18-MC-48-0036	14.218	55,810	-
Community Development Block Grant	B-20-MC-48-0036	14.218	74,633	-
Community Development Block Grant	B-21-MC-48-0036	14.218	415,994	205,148
Community Development Block Grant	B-22-MC-48-0036	14.218	787,934	229,767
COVID-19 - Community Development Block Grant CARES	B-20-MW-48-0036	14.218	325,587	325,587
Subtotal - CDBG - Entitlement Grants Cluster			1,691,126	760,502
Home Investment Partnerships Program	M-15-MC-48-0223	14.239	3,290	-
Home Investment Partnerships Program	M-18-MC-48-0223	14.239	7	-
Home Investment Partnerships Program	M-19-MC-48-0223	14.239	43,095	28,368
Home Investment Partnerships Program	M-20-MC-48-0223	14.239	65,519	16,280
Home Investment Partnerships Program	M-21-MC-48-0223	14.239	249,691	100,000
Home Investment Partnerships Program	M-22-MC-48-0223	14.239	242,982	199,890
COVID 19- Home Investment Partnerships Program	M-21-MP-48-0223	14.239	45,270	41,170
Subtotal - Assistance Listing # 14.239			649,854	385,708
Total U.S. Department of Housing and Urban Development			2,340,980	1,146,210
U.S. Department of Justice				
Direct Awards:				
U.S. Marshals Violent Offenders Task Force	VOTF	16.000	77,286	-
North Texas Organized Crime Task Force	NTOCTF	16.000	6,098	-
Subtotal - Assistance Listing # 16.000			83,384	-
National Sexual Assault Kit Initiative	2019-AK-BX-0026	16.833	293,756	-
Equitable Sharing Program	TX0610200	16.922	46,000	-
Total Direct Awards			423,140	-
Passed through Denton County Friend of the Family				
Improving Criminal Justice Responses	15JOVW-21-GG-02041-ICJR	16.590	35,254	-
Total U.S. Department of Justice			458,394	-
Federal Aviation Administration				
Passed through Texas Department of Transportation Aviation Division:				
COVID 19- ARPA Airport Rescue Grant Program	22CVDENTN	20.106	148,000	-
Total Federal Aviation Administration			148,000	-
U.S. Department of Transportation				
Passed through Texas Department of Transportation:				
Green Ribbon Landscaping Improvements Program	2681-01-026	20.205	38,024	-
Bonnie Brae From Windsor Drive to US 77	0918-46-319	20.205	923,620	-
Subtotal - Assistance Listing # 20.205			961,644	-
National Priority Safety Programs	2023-DentonPD-G-1YG-0010	20.616	54,201	-
Subtotal - Highway Safety Cluster			54,201	-
Total U.S. Department of Transportation			1,015,845	-
U.S. Department of Treasury				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	N/A	21.027	5,310,047	799,759
Total U.S. Department of Treasury			5,310,047	799,759
Institute of Museum and Library Services				
Passed through Texas State Library and Archives Commission (TSLAC):				
Interlibrary Loan Program	LS-252486-OLS-22	45.310	10,550	-
Texas Reads 2023	LS-252486-OLS-22	45.310	7,252	-
Total Institute of Museum and Library Services			17,802	-

City of Denton, Texas

Schedule of Expenditures of Federal and State Awards – Continued
For the Year Ended September 30, 2023

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	GRANT I.D.NUMBER	FEDERAL ASSISTANCE LISTING NUMBER	EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
National Endowment for the Humanities				
Passed through Humanities Texas:				
Mini Grant-Eco-poetry	2022-6778	45.129	1,500	-
Mini Grant-Rural Texas Women at Work	2023-6799	45.129	600	-
Total National Endowment for the Humanities			2,100	-
U.S. Department of Homeland Security				
Direct Awards:				
U.S. Immigration & Customs Enforcement Homeland Security Investigations	N/A	97.000	3,709	-
Staffing for Adequate Fire and Emergency Response (SAFER) Grant	EMW-2019-FF-00862	97.083	344,706	-
Staffing for Adequate Fire and Emergency Response (SAFER) Grant	EMW-2020-FF-00715	97.083	341,314	-
Staffing for Adequate Fire and Emergency Response (SAFER) Grant	EMW-2021-FF-01282	97.083	203,526	-
Subtotal - Assistance Listing # 97.083			889,546	-
Total Direct Awards			893,255	-
Passed through Texas A&M Engineering Extension Office:				
National Urban Search & Rescue Response System	47-100-769	97.025	112,242	-
Passed through Texas Division of Emergency Management (TDEM):				
Disaster Grants - Public Assistance - Winter Storm	N/A	97.036	1,753	-
Disaster Grants - Public Assistance - Wildfire Season 2023	N/A	97.036	223,250	-
Total Passed Through Texas Division of Emergency Management (TDEM)			225,003	-
Passed through Office of the Governor - Homeland Security Grants Division:				
UASI Specialized Regional Response Teams Sustainment	EMW-2021-SS-00062	97.067	30,109	-
SHSP-HAZMAT Dry DECON Kit	EMW-2022-SS-00021	97.067	13,291	-
Total Passed Through Office of the Governor - Homeland Security Grants Division			43,400	-
Total U.S. Department of Homeland Security			1,273,900	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 10,567,068	$ 1,945,969

City of Denton, Texas

Schedule of Expenditures of Federal and State Awards – Continued
For the Year Ended September 30, 2023

STATE GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	GRANT I.D. NUMBER	EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
STATE AWARDS			
Office of the Texas Attorney General			
Chapter 59 Asset Forfeiture Award	N/A	$ 39,000	$ -
Total Office of the Texas Attorney General		39,000	-
Texas Department of Transportation			
Airport Maintenance Grant	M2318DNTO	50,000	-
RTR-Mayhill Road - From IH35 East to US 380	0918-46-246	2,669,149	-
RTR-Bonnie Brae Road - From IH35 East to US 377	0918-46-245	187,250	-
RTR-McKinney Street (Formerly FM 426)	0918-46-298	538,724	-
RTR-N TX Blvd Roundabout	0918-46-281	871,403	-
RTR-Mayhill Road South of Spencer Road to IH35 East	0918-46-325	3,261,169	
RTR-Hickory Creek FM 1830 to Riverpass Drive	0918-46-332	6,431,582	-
Total Regional Toll Revenue (RTR) Transportation Projects		13,959,277	-
Total Texas Department of Transportation		14,009,277	-
Texas A&M Engineering Extension Service			
Urban Search & Rescue Response System	47-100-769	225,387	-
Total Texas A&M Engineering Extension Service		225,387	-
Texas Commission on Environmental Quality			
Passed through North Central Texas Council of Governments:			
Solid Waste Implementation Grant	21-04-06	56,317	-
Total Texas Commission on Environmental Quality		56,317	-
Texas Office of the Governor - Homeland Security Grants Division			
SH-Bullet-Resistant Shield Grant	2023-SH-ST-0000	26,550	-
Total Texas Office of the Governor		26,550	-
Texas Commission on the Arts			
2022 Utility Box Project		1,669	-
Total Texas Commission on the Arts		1,669	-
Texas Comptroller of Public Accounts			
Fire-Law Enforcement Officer Standards & Education	N/A	25	-
Police-Law Enforcement Officer Standards & Education	N/A	14,216	-
Total Texas Comptroller of Public Accounts		14,241	-
TOTAL EXPENDITURES OF STATE AWARDS		$ 14,372,441	$ -
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS		$ 24,939,509	$ 1,945,969

City of Denton, Texas

Notes to Schedule of Expenditures of Federal and State Awards
For the Year Ended September 30, 2023

Note 1. General

The accompanying Schedule of Expenditures of Federal and State Awards presents the activity of all applicable federal and state awards of City of Denton, Texas (the City). The City's reporting entity is defined in Note 1 to the City's basic financial statements. Federal and state awards received directly from federal and state agencies as well as federal awards passed through other government agencies are included on the schedule of expenditures of federal and state awards (the schedule). The information in the 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 Grant Management Standards (TxGMS). 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 of the City.

Note 2. Basis of Accounting

The accompanying schedule is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 1 to the City's basic financial statements.

Note 3. Relationship to Federal and State Financial Reports

Amounts reported in the accompanying schedule may not agree with amounts reported in the related federal and state financial reports with grantor agencies because of accruals which would be included in the next report filed with the agencies.

Note 4. Indirect Costs

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

City of Denton, Texas

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2023

Section I - Summary of Auditor's Results

Basic Financial Statements:

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:

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

Noncompliance which is material to the basic financial statements noted? _____Yes __X__ No

Federal and State Awards:

Internal control over major programs:

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

An unmodified opinion was issued on compliance for each major program.

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

Identification of major programs:

Assistance Listing Number/Grant Identification Number	Name of Federal or State Program
Major Federal Programs:	
21.027	Coronavirus State & Local Fiscal Recovery Funds Program – ARPA
97.083	Staffing for Adequate Fire and Emergency Response (SAFER)
Major State Program:	Regional Toll Revenue (RTR) Transportation Projects
Dollar threshold used to distinguish Between type A and type B programs:	$750,000 for federal and state programs

Auditee qualified as low-risk for federal single audit? _____ Yes __X__ No

City of Denton, Texas

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2023

Section II - Financial Statement Findings

None

Section III - Federal and State Awards Findings and Questioned Costs

None

Section IV – Schedule of Prior Year Findings and Questioned Costs

2022-001 Closing Procedures and Restatement

Type of finding: Material weakness in internal controls over financial reporting

Condition: The City's accounting policies and procedures did not fully address closing procedures as it related to reconciling unearned revenue and recognizing revenue at year end for an advanced funding agreement.

Status: Corrected