

CITY OF DENTON, TEXAS

SINGLE AUDIT REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2017

CITY OF DENTON, TEXAS

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PATILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' 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***

To the Honorable Mayor and
Members of the City Council
City of Denton, 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, each major fund, and the aggregate remaining fund information of the City of Denton, Texas as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Denton, Texas' basic financial statements, and have issued our report thereon dated March 2, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Denton, Texas' internal control over financial reporting (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 of Denton, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Denton, Texas' 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 of Denton, Texas' 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 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*.

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.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 2, 2018



PATILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL AND STATE PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE
AND THE STATE OF TEXAS UNIFORM GRANT MANAGEMENT STANDARDS**

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

Report on Compliance for Each Major Federal and State Program

We have audited the City of Denton, Texas' compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* and the State of Texas *Uniform Grants Management Standards* that could have a direct and material effect on each of the City of Denton, Texas' major federal and state programs for the year ended September 30, 2017. The City of Denton, Texas' 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 and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Denton, Texas' 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; 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 Single Audit Circular. Those standards, the Uniform Guidance, and the State of Texas Single Audit Circular 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 of Denton, Texas' 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 of Denton, Texas' compliance.

Opinion on Each Major Federal and State Program

In our opinion, the City of Denton, Texas, 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, 2017.

Report on Internal Control over Compliance

Management of the City of Denton, Texas 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 of Denton, Texas' 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 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 the Uniform Guidance 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 of Denton, Texas' 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 the Uniform Guidance 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 the Uniform Guidance and the State of Texas *Uniform Grant Management Standards*

We have audited the financial statements of the City of Denton, Texas as of and for the year ended September 30, 2017, and have issued our report thereon dated March 2, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. 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 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 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 financial statements or to the 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.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 2, 2018

CITY OF DENTON, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program Title	Grant I.D. Number	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
<u>Federal Awards</u>				
<u>U.S. Department of Agriculture</u>				
<u>Passed through Texas Department of Health and Human Services</u>				
2014 Farmers Market Promotion Program	14-FMPPX-TX-0160	10.168	\$ 15,059	\$ -
Total U.S. Department of Agriculture			15,059	-
<u>U.S. Department of Housing and Urban Development</u>				
<u>Direct Awards</u>				
Community Development Block Grant	B-13-MC-48-0036	14.218	8,024	-
Community Development Block Grant	B-14-MC-48-0036	14.218	13,399	-
Community Development Block Grant	B-15-MC-48-0036	14.218	91,272	5,432
Community Development Block Grant	B-16-MC-48-0036	14.218	492,488	99,359
Community Development Block Grant	B-17-MC-48-0036	14.218	46,118	-
Subtotal - CFDA #14.218			651,301	104,791
Home Investment Partnerships Program	M-10-MC-48-0223	14.239	1,820	-
Home Investment Partnerships Program	M-11-MC-48-0223	14.239	42,150	-
Home Investment Partnerships Program	M-12-MC-48-0223	14.239	-	(1,344)
Home Investment Partnerships Program	M-13-MC-48-0223	14.239	2,807	(12,656)
Home Investment Partnerships Program	M-14-MC-48-0223	14.239	24,915	-
Home Investment Partnerships Program	M-15-MC-48-0223	14.239	102,191	-
Home Investment Partnerships Program	M-16-MC-48-0223	14.239	153,507	-
Home Investment Partnerships Program	M-17-MC-48-0223	14.239	3,590	-
Subtotal - CFDA #14.239			330,980	(14,000)
<u>Passed Through Texas Department of Housing and Community Affairs</u>				
2016-17 Emergency Solution Grant	42150002701	14.231	117,311	117,311
Total Texas Department of Housing and Community Affairs			117,311	117,311
Total U.S. Department of Housing and Urban Development			1,099,592	208,102
<u>U.S. Department of Justice</u>				
<u>Direct Awards</u>				
U.S. Marshals Violent Offenders Task Force	VOTF	16.000	28,000	-
2016 Byrne Justice Assistance Grant	2016-DJ-BX-0710	16.738	19,398	-
Equitable Sharing Agreement & Certification	TX0610200	16.922	6,250	-
Total U.S. Department of Justice			53,648	-

CITY OF DENTON, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program Title	Grant I.D. Number	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
<u>U.S. Department of Transportation</u>				
<u>Passed through Texas Department of Transportation</u>				
State and Community Highway Safety Grant	2017-DentonPD-S-IYG-0044	20.600	\$ 69,397	\$ -
Traffic Signal Construction Grant	0134-09-034	20.205	155,844	-
Evers Park Bridge & Trail Grant	0918-46-273	20.205	1,086,685	-
Total Texas Department of Transportation			1,311,926	-
<u>Passed through Texas Dept. of Transportation Aviation Division</u>				
Airport West Side Runway Grant	N/A	20.106	654,175	-
Total Texas Dept. of Transportation Aviation Division			654,175	-
Total U.S. Department of Transportation			1,966,101	-
<u>Institute of Museum and Library Services</u>				
<u>Passed through Texas State Library and Archives Commission (TSLAC)</u>				
Interlibrary Loan Program (ILL)	LS-00-16-0044-16	45.310	20,246	-
Total National Endowment for the Humanities			20,246	-
<u>U.S. Department of Health and Human Services</u>				
<u>Passed through Texas Health and Human Services Commission</u>				
Ambulance Services - Uncompensated Care Cost	000083801	93.778	958,281	-
Total U.S. Department of Health and Human Services			958,281	-
<u>U.S. Department of Homeland Security</u>				
<u>Passed through Texas A&M Engineering Extension Office</u>				
National Urban Search & Rescue Response System	47-100769	97.025	245,256	-
<u>Passed through Texas Dept. of Public Safety's Texas Division of Emergency Management</u>				
Disaster Grants - Public Assistance - TEMAT	N/A	97.036	134,237	-
<u>Passed through Texas Dept. of Public Safety's Texas Intrastate Fire Mutual Aid System</u>				
Disaster Grants - Public Assistance - TIFMAS	N/A	97.036	306,714	-
<u>Passed through City of Ocala</u>				
Disaster Grants - Public Assistance - Hurricane Irma	N/A	97.036	455,495	-
Subtotal - CFDA #97.036			896,446	-
<u>Passed through Texas Department of Public Safety</u>				
Emergency Management Performance Grant	17TX-EMPG-0122	97.042	43,956	-
2015 State Homeland Security Program	EMW-2015-SS-00080	97.067	127,672	-
Total Texas Department of Public Safety			171,628	-
Total U.S. Department of Homeland Security			1,313,330	-
Total Expenditures of Federal Awards			\$ 5,426,257	\$ 208,102

CITY OF DENTON, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Pass-Through Grantor/ Program Title	Grant I.D. Number	Expenditures	Passed Through to Subrecipients
<u>State Awards</u>			
<u>Texas Department of Transportation</u>			
Airport Maintenance Grant	M1718DNT0	\$ 50,000	\$ -
RTR - Mayhill Road From IH35 East to US 380	0918-46-246	2,765,024	-
RTR - Bonnie Brae Road - From IH35 East to US 377	0918-46-245	2,760,918	-
RTR - ITS Communication Trunk Lines	0918-46-244	28,067	-
Hickory Creek Road Project	0918-46-290	2,294	-
N TX Blvd Roundabout	0918-46-281	11,805	-
McKinney Street (Formerly FM 426)	0918-46-298	138	-
Subtotal		<u>5,618,246</u>	<u>-</u>
<u>Texas Dept. of State Health Services</u>			
Tobacco Prevention Grant	120	7,350	-
Subtotal		<u>7,350</u>	<u>-</u>
<u>Texas Commission on Environmental Quality</u>			
Texas Emission Reduction Plan Rebate Grant	582-15-56611-0978	112,667	-
Total Texas Commission on Environmental Quality		<u>112,667</u>	<u>-</u>
<u>North Central Texas Council of Governments</u>			
High Speed Grinder Grant	17-04-G01	131,694	-
Low Speed Grinder Grant	17-04-G01	150,000	-
Regional HHW Drop-Off Facility Project Grant	16-04-01	188,211	-
Total North Central Texas Council of Governments		<u>469,905</u>	<u>-</u>
<u>Office of the Texas Attorney General</u>			
Chapter 59 Asset Forfeitures	N/A	119,103	-
Total Office of the Texas Attorney General		<u>119,103</u>	<u>-</u>
<u>Texas A&M Engineering Extension Office</u>			
Urban Search and Rescue Response System	47-100769	96,885	-
Total Texas A&M Engineering Extension Office		<u>96,885</u>	<u>-</u>
<u>Texas Intrastate Fire Mutual Aid System by Texas A&M Forest Service</u>			
Confined Space Training Tuition	1990	750	-
Rope Rescue I Training Tuition	1990	750	-
Rope Rescue II Training Tuition	1990	1,125	-
Strategy Tactics Training Tuition	1990	1,000	-
Vehicle Rescue Tech Training Tuition	1990	2,345	-
Swift Water Rescue Training Tuition	1990	1,920	-
Total Texas Intrastate Fire Mutual Aid System by Texas A&M Forest Service		<u>7,890</u>	<u>-</u>
<u>Texas Comptroller of Public Accounts</u>			
Law Enforcement Officer Standards & Education-Peace Officer Allocation	N/A	12,108	-
Law Enforcement Officer Standards & Education-Live Burn Training NCTC	N/A	2,858	-
Reimbursement for Sexual Assault Examinations	N/A	51,891	-
Total Texas Comptroller of Public Accounts		<u>66,857</u>	<u>-</u>
Total Expenditures of State Awards		<u>\$ 6,498,903</u>	<u>\$ -</u>
Total Federal and State Financial Assistance Expended		<u>\$ 11,925,160</u>	<u>\$ 208,102</u>

CITY OF DENTON, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

1. GENERAL

The accompanying schedule of expenditures of federal and state awards presents the activity of all applicable federal and state awards of the City of Denton, Texas. The City's reporting entity is defined in Note I to the City's basic financial statements. Federal and state awards received directly from federal and state agencies as well as federal and state awards passed through other government agencies are included in the respective schedule.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal and state awards is presented using modified accrual basis of accounting, which is described in Note I to the City's basic financial statements.

3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Grant expenditures reports as of September 30, 2017, which have been submitted to grantor agencies will, in some cases, differ slightly from amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of year-end accruals. The reports will agree at termination of the grant as the discrepancies noted are timing differences.

4. NEGATIVE AMOUNTS

Pass-through amounts that were recorded as expenditures in prior years have been refunded to the City by subrecipients. As a result of this, the affected grants reflect a negative balance on the Schedule of Expenditures of Federal and State Awards.

5. INDIRECT COSTS

The City has not elected to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance, Section 414.

CITY OF DENTON, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Section I: Summary of the Auditors' Results

Financial Statements:

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not
considered a material weakness? None reported

Noncompliance material to financial
statements noted? No

Federal and State Awards:

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not
considered a material weakness? None reported

Type of auditors' report issued on compliance for
major federal and state programs Unmodified

Any audit findings disclosed that were required to be
reported in accordance with 2 CFR 200.516(a) or
the Uniform Grant Management Standards? None

Identification of major federal and state programs:

Federal:

20.205 Highway Planning and Construction
97.036 Disaster Grants - Public Assistance

State:

RTR Transportation Projects

The dollar threshold used to distinguish between type
A and type B federal programs. \$750,000

The dollar threshold used to distinguish between type
A and type B state programs. \$300,000

Low risk auditee statement

The City was classified as a low-risk auditee in the context of 2 CFR 200 and was not classified as a low-risk auditee in the context of the state of Texas Uniform Grant Management Standards.

CITY OF DENTON, TEXAS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)**

FOR THE YEAR ENDED SEPTEMBER 30, 2017

**Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with
*Generally Accepted Government Auditing Standards***

None

Findings and Questioned Costs for Federal and State Awards

None



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SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

None