

City of Garland, Texas

Single Audit Report

September 30, 2018

C O N T E N T S

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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***

To the Honorable Mayor, Members of the City Council and City Manager
City of Garland, 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Garland (the City), as of and for the year ended September 30, 2018, 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 14, 2019. Our report includes a reference to other auditors who audited the financial statements of the Garland Housing Finance Corporation (GHFC), as described in our report on the City's financial statements. The financial statements of the GHFC were not audited in accordance with *Government Auditing Standards*.

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) 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 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 the City's 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 determination of financial statement amounts.

The Honorable Mayor, Members of the City Council and City Manager
City of Garland, Texas

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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 14, 2019

**Independent Auditor's Report on Compliance for
Each Major Federal Program and Report on Internal Control
Over Compliance in Accordance with Uniform Guidance, and on the
Schedule of Expenditures of Federal and State Awards**

To the Honorable Mayor, Members of the City Council and City Manager
City of Garland, Texas

Report on Compliance for Each Major Federal Program

We have audited the City of Garland (the City)'s compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2018. The City's major federal 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 awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal 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). Those standards and the Uniform Guidance 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 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 program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal 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 programs for the year ended September 30, 2018.

The Honorable Mayor, Members of the City Council and City Manager
City of Garland, 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 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 program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 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 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 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.

Purpose of this Report

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. 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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 14, 2019, which contained unmodified opinions on those financial statements, which included a reference to other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 Honorable Mayor, Members of the City Council and City Manager
City of Garland, Texas

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
March 14, 2019

City of Garland, Texas
 Schedule of Findings and Questioned Costs
 For the Year Ended September 30, 2018

I. Summary of the Auditor's Results

Financial Statements

- a. An unmodified opinion was issued on the financial statements.
- b. Internal control over financial reporting:
- Material weakness(es) identified? _____ Yes X No
 - Significant deficiency(ies) identified that are not considered a material weakness? _____ Yes X None reported
- c. Noncompliance material to financial statements noted? _____ Yes X No

Major Programs

- d. Internal control over major programs:
- Material weakness(es) identified? _____ Yes X No
 - Significant deficiency(ies) identified that are not considered a material weakness? _____ Yes X None reported
- e. An unmodified opinion was issued on compliance for major programs.
- f. Any audit findings disclosed that were required to be reported in accordance with 2 CFR 200.516(a) _____ Yes X No

g. Identification of major programs:

| <u>CFDA Number</u> | <u>Program Title</u> |
|--------------------|------------------------------------|
| 14.871 | Housing Choice Voucher Program |
| 14.239 | HOME – Home Investment Partnership |

- h. The dollar threshold used to distinguish between type A and type B programs: \$750,000
- i. Auditee qualified as a low-risk auditee? X Yes _____ No

City of Garland, Texas
Schedule of Findings and Questioned Costs
Year Ended September 30, 2018

II. Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with *Generally Accepted Government Auditing Standards*

None

III. Findings and Questioned Costs for Federal Awards

None

City of Garland, Texas
Summary of Prior Year Audit Findings
Year Ended September 30, 2018

IV. Schedule of Prior Audit Findings and Questioned Costs

Finding 2017-001 – Recording Expenditures on the Schedule of Expenditures of Federal Awards

Condition – In 2015, the City incurred expenditures related to flooding and a tornado. The City submitted their PW and FEMA approved these expenditures for reimbursement in 2016. The City did not receive the reimbursement for these expenditures until after the fiscal year ending September 30, 2017.

Corrective Action – The OMB Compliance Supplement for the Public Assistance Grant has been reviewed, and requirements for when to recognize expenses on the Schedule of Expenditures of Federal Awards have been identified. In addition, the Grants Financial Program Manager has contacted the City department that coordinates FEMA activity to ensure that Notices of Grant Award are forwarded to her as soon as they are received by City staff. Timely receipt of the Notices of Grant Award by the Grants Financial Program Manager will allow the expenses to be assigned and recognized in the correct fiscal year.

Status – Corrected

City of Garland, Texas

Schedule of Expenditures of Federal and State Awards

Year Ended September 30, 2018

| Federal Grantor/ Pass-Through Grantor/ Program Title | Grant I.D. Number | Federal CFDA Number | Expenditures | Passed Through to Subrecipients |
|---|------------------------|---------------------------|------------------|---------------------------------------|
| FEDERAL AWARDS | | | | |
| <u>U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u> | | | | |
| Emergency Shelter Grant | S-15-MC-480011 | 14.231 | \$ 9,047 | \$ - |
| Emergency Shelter Grant | S-17-MC-480011 | 14.231 | <u>146,780</u> | <u>124,103</u> |
| Total CFDA 14.231 | | | 155,827 | 124,103 |
| Community Development Block Grant Entitlement 36 - 2014 | B-14-MC-480011 | 14.218 | 94,730 | - |
| Community Development Block Grant Entitlement 37 - 2015 | B-15-MC-480011 | 14.218 | 19,721 | - |
| Community Development Block Grant Entitlement 38 - 2016 | B-16-MC-480011 | 14.218 | 85,469 | - |
| Community Development Block Grant Entitlement 39 - 2017 | B-17-MC-480011 | 14.218 | <u>2,175,913</u> | <u>254,460</u> |
| Total CDBG - Entitlement Grants Cluster | | | 2,375,833 | 254,460 |
| Housing Choice Voucher Program * | TX435VOxxxx | 14.871 | 11,607,757 | - |
| HOME - Home Investment Partnership * | M-16-MC-480225 | 14.239 | 334,519 | - |
| HOME - Home Investment Partnership * | M-17-MC-480225 | 14.239 | <u>638,117</u> | <u>69,987</u> |
| Total CFDA 14.239 | | | 972,636 | 69,987 |
| Fair Housing Assistance Program - Capacity Building Program 2017 | FF206K166007 | 14.401 | 99,000 | - |
| Fair Housing Initiatives Program - Capacity Building Program 2017 | FEOI160040 | 14.401 | <u>32,175</u> | <u>-</u> |
| Total CFDA 14.401 | | | <u>131,175</u> | <u>-</u> |
| Total Direct Funding U.S. Department of Housing and Urban Development | | | 15,243,228 | 448,550 |
| <u>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</u> | | | | |
| Passed through the Texas State Library and Archives Commission Inter-Library Loan Program (ILL) | 715-15148 | 45.310 | <u>8,492</u> | <u>-</u> |
| Total Institute of Museum and Library Services | | | 8,492 | - |
| <u>U. S. DEPARTMENT OF HOMELAND SECURITY</u> | | | | |
| Passed through Texas Division of Emergency Management Public Assistance Grant | PA-06-TX-4255-PW-xxxxx | 97.036 | 32,702 | - |
| Passed through State Department of Public Safety | | | | |
| Urban Areas Security Initiative 2016 (UASI) | HS15HS12982301 | 97.067 | 14,788 | - |
| Urban Areas Security Initiative 2017 (UASI) | HS16HS12982302 | 97.067 | 59,107 | - |
| Urban Areas Security Initiative 2018 (UASI) | HS17HS12982303 | 97.067 | 97,167 | - |
| UASI Law Enforcement Assistance Partnership 2018 (UASI-LEAP) | HS17HS 13421101 | 97.067 | 43,576 | - |
| State Homeland Security Program 2017 (SHSP-LETPA) | HS16HS13029201 | 97.067 | 3,000 | - |
| State Homeland Security Program 2018 (SHSP-LETPA) | HS17HS13029201 | 97.067 | <u>28,400</u> | <u>-</u> |
| Total CFDA 97.067 | | | <u>246,038</u> | <u>-</u> |
| Total U.S. Department of Homeland Security | | | 278,740 | - |
| <u>U. S. DEPARTMENT OF JUSTICE</u> | | | | |
| Federal Equitable Sharing Agreement | TX 0571100 | 16.607 | 294,493 | - |
| Passed through the City of Dallas | | | | |
| Justice Assistance Grant (J.A.G.) 2017 | 2016-DJ-BX-0186 | 16.738 | 1,039 | - |
| Internet Crimes Against Children - Investigative Satellite 2017 | 2016-MC-FX-K034 | 16.543 | <u>12,000</u> | <u>-</u> |
| Total U.S. Department of Justice | | | 307,532 | - |

* Denotes major federal program

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

City of Garland, Texas
Schedule of Expenditures of Federal and State Awards – Continued
Year Ended September 30, 2018

| 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> | | | | |
| Passed Through State Department of Transportation | | | | |
| Comprehensive (ITC, OP, Speed, DWI) STEP Grant 2018 | 2018-Garland-P-S-MYG-xxxx | 20.600 | 230,436 | - |
| Impaired Driver Mobility Grant | 2018-GarlanPD-IDM-0000x | 20.600 | 9,878 | - |
| Click It or Ticket (CIOT) STEP Grant 2018 | 2018-GarlanPD-CIOT-000xx | 20.600 | <u>11,355</u> | - |
| Total Highway Safety Cluster | | | 251,669 | - |
| Highway Planning and Construction | CSJ #: 0918-45-714 | 20.205 | <u>148,366</u> | - |
| Total U.S. Department of Transportation | | | 400,035 | - |
| <u>CENTER FOR DISEASE CONTROL</u> | | | | |
| Passed through Texas Department of State Health Services | | | | |
| Immunization Grant 2018 | 537-18-0080-00001 | 93.539 | 172,567 | - |
| Immunization Grant 2018 | 537-18-0080-00001 | 93.268 | 21,628 | - |
| Immunization Grant 2019 | HHS 000105000001 | 93.268 | <u>17,104</u> | - |
| Total CFDA 93.268 | | | <u>38,732</u> | - |
| Total Center for Disease Control | | | <u>211,299</u> | - |
| Total expenditures of Federal awards | | | <u>16,449,326</u> | <u>448,550</u> |
| STATE AWARDS | | | | |
| <u>TEXAS DEPARTMENT OF STATE HEALTH SERVICES</u> | | | | |
| Immunization Grant 2018 | 537-18-0080-00001 | State | 257,422 | - |
| Immunization Grant 2019 | HHS 000105000001 | State | <u>22,672</u> | - |
| Total Texas Department of State Health Services | | | <u>280,094</u> | - |
| Total expenditures of State awards | | | <u>280,094</u> | - |
| TOTAL FEDERAL AND STATE FINANCIAL ASSISTANCE EXPENDED | | | <u>\$ 16,729,420</u> | <u>\$ 448,550</u> |

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

City of Garland, Texas

Notes to Schedule of Expenditures of Federal and State Awards Year Ended September 30, 2018

Note 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 Garland, 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 and state awards passed through other government agencies are included in the respective schedule.

Note 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 1 to the City's basic financial statements.

Note 3. Relationship to Federal Financial Reports

Grant expenditures reports as of September 30, 2018, 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.

Note 4. Loans

At September 30, 2018, the amount of loans outstanding related to the Community Development Block Grants and HOME Investment Partnerships Program was approximately \$292,891 and \$2,732,492, respectively.

Note 5. Indirect Cost Rate

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