

City of McKinney, Texas

Single Audit Report

For the Fiscal Year Ended September 30, 2021



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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 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, 2021, 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 9, 2022.

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 9, 2022



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, 2021. 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, 2021.

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic statements. We issued our report thereon dated February 9, 2022, 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 9, 2022

City of McKinney, Texas
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended September 30, 2021

Federal Grantor/Pass-Through Grantor Program Title	Federal Assistance Listing Number	Grantor or Pass-Through Grantor's Number	Program Award Expenditures	Passed Through To Subrecipients
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through Texas Office of the Governor - Homeland Security Grants Division:				
Homeland Security Grant Program	97.067	3616301	\$ 94,436	\$ -
Homeland Security Grant Program	97.067	4126301	78,657	-
Total Assistance Listing #97.067			173,093	-
Direct Programs:				
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2017-FH-00144	193,084	-
Total U.S. Department of Homeland Security			366,177	-
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Programs:				
Continuum of Care - Rapid Housing Grant	14.267	TX0550LST001900	94,683	-
Continuum of Care - Rapid Housing Grant	14.267	TX0550LST002001	13,813	-
Total Assistance Listing #14.267			108,496	-
Community Development Block Grants	14.218	B17MC480043	64,163	-
Community Development Block Grants	14.218	B18MC480043	201,341	-
Community Development Block Grants	14.218	B20MC480043	408,928	125,896
COVID-19 - Community Development Block Grants - MELAP	14.218	B20MW480043	186,571	93,529
COVID-19 - Community Development Block Grants	14.218	B19MC480043	5,097	2,023
Passed through Texas Department of Housing & Community Affairs:				
COVID-19 - Community Development Block Grants - TERAP	14.218	B20DW480001	205,309	200,695
Total CDBG Entitlement Grants Cluster			1,071,409	422,143
Passed through Texas Department of Housing & Community Affairs:				
Tenant Based Rental Assistance (TBRA)	14.239	1002853	50,627	-
COVID-19 - Tenant Based Rental Assistance (TBRA)	14.239	2020-0034COVID	35,487	-
Total Assistance Listing #14.239			86,114	-
Total U.S. Department of Housing and Urban Development			1,266,019	422,143
U.S. DEPARTMENT OF AGRICULTURE				
Direct Programs:				
Watershed Rehabilitation Program	10.916	EFAL4-FED-59052	454,052	-
Total U.S. Department of Agriculture			454,052	-
U.S. DEPARTMENT OF JUSTICE				
Direct Programs:				
Federal Seizures - Equitable Sharing	16.922	TX0430500	134,467	-
Victims of Crime Assistance Formula Grant	16.575	3376603	65,646	-
COVID-19 - Edward Byrne Justice Assistance Grant Program	16.034	2020-VD-BX-1573	30,408	-
Passed through City of Plano:				
Edward Byrne Justice Assistance Grant Program	16.738	2020-DJ-BX-0639	13,430	-
Total U.S. Department of Justice			243,951	-
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through Texas Department of Transportation:				
Airport Improvement Program	20.106	2018MCKNY	755,324	-
COVID-19 - Airport Improvement Program	20.106	Airfield Pavement Rehab - CARES	21,588	-
COVID-19 - Airport CRRSAA	20.106	21CRKINNY	91,162	-
Total Assistance Listing #20.106			868,074	-
Passed through Texas Department of Transportation:				
Highway Planning and Construction Cluster	20.205	CSJ #0135-02-063: 0135-03-051	577,980	-
Direct Programs:				
Urbanized Area Formula Program - Federal Transit Cluster	20.507	TX-2019-025-00	138,939	-
COVID-19 - Urbanized Area Formula Program - Federal Transit Cluster	20.507	TX-2020-133-00	2,976	-
Total Assistance Listing #20.507			141,915	-
Direct Programs:				
STEP Comprehensive - Highway Safety Cluster	20.600	2021-McKinney-S-1YG-00108	60,999	-
Total U.S. Department of Transportation			1,648,968	-

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, 2021

Federal Grantor/Pass-Through Grantor Program Title	Federal Assistance Listing Number	Grantor or Pass-Through Grantor's Number	Program Award Expenditures	Passed Through To Subrecipients
U.S. DEPARTMENT OF TREASURY				
Passed through Collin County:				
COVID-19 - Coronavirus Relief Fund - Municipal Direct Expense Funding	21.019	N/A	1,150,783	-
COVID-19 - Coronavirus Relief Fund - Emergency Housing and Living Assistance Program	21.019	N/A	1,618,304	1,618,304
COVID-19 - Coronavirus Relief Fund - Emergency Housing and Living Assistance Program - Food Card Program	21.019	N/A	1,848,700	1,848,700
Total Assistance Listing #21.019			<u>4,617,787</u>	<u>3,467,004</u>
Emergency Rental Assistance Program	21.023	B-20DW-48-0001	3,216,840	3,216,840
Total U.S. Department of Treasury			<u>7,834,627</u>	<u>6,683,844</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Programs:				
COVID-19 - Provider Relief Fund	93.498	N/A	23,375	-
Total U.S. Department of Health and Human Services			<u>23,375</u>	<u>-</u>
INSTITUTE OF MUSEUM AND LIBRARY SERVICES				
Passed through Texas State Library and Archives Commission:				
Interlibrary Loan Lending Reimbursement Program	45.310	901384	8,873	-
Total Institute of Museum and Library Services			<u>8,873</u>	<u>-</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 11,846,042</u>	<u>\$ 7,105,987</u>

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, 2021

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	\$ 11,075
Traffic Sign Controller	N/A	7,648
Total Texas Department of Transportation		<u>18,723</u>
TEXAS STATE SOIL AND WATER CONSERVATION BOARD		
Dam Rehab NRCS Lake-4	EFAL4-RHB-ST2-009-20	232,265
Total Texas State Soil and Water Conservation Board		<u>232,265</u>
TEXAS CARES ACT		
Monarch Butterflies	20-46498	11,875
Total Texas Cares Act		<u>11,875</u>
TEXAS DEPARTMENT OF TRANSPORTATION		
McKinney Urban Transit	URB 2102(26)	261,156
Routine Airport Maintenance Program	M2018MCKN	50,000
US 75 High Mast Lighting Upgrades	N/A	29,945
Custer Road Utility Relocations	CSJ:2351-01-022, -02-015	1,516,079
Total Texas Department of Transportation		<u>1,857,180</u>
TEXAS STATE ECONOMIC DEVELOPMENT & TOURISM		
2019 NCAA National Champ	N/A	82,783
Total North Central Texas Trauma Regional Advisory Council		<u>82,783</u>
TOTAL STATE ASSISTANCE		<u><u>\$ 2,202,826</u></u>

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, 2021. 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, 2021. The expenditures are listed within the Schedule of Federal Awards under the Airport Improvement Program for \$868,074.

Note 4. Loans

At September 30, 2021, 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, 2021

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:

Assistance Listing/Grant Identification Number

Name of Federal and State Program or Cluster

Major Federal Programs:

14.218
21.106
21.019
21.023

CDBG Entitlement Grants Cluster
Airport Improvement Program
COVID-19 Coronavirus Relief Fund
COVID-19 Emergency Rental Assistance Program

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, 2021

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