

McKINNEY COMMUNITY DEVELOPMENT CORPORATION
Project Grant Application
Fiscal Year 2019

IMPORTANT:

- Please read the McKinney Community Development Corporation Grant Guidelines prior to completing this application.
- The Grant Guidelines and Application are available at www.mckinneycdc.org; by calling 972.547.7653 or by emailing cschneible@mckinneycdc.org
- **Contact us to discuss your plans for submitting an application prior to completing the form.**
- A completed application and all supporting documents are required to be submitted via email or on a thumb drive for consideration by the MCDC board. Please submit the application to:

McKinney Community Development Corporation
5900 S. Lake Forest Blvd., Suite 110
McKinney, TX 75070

- *If you are interested in preliminary Board of Directors review of your project proposal or idea, please complete and submit the **Letter of Inquiry** form, available at www.mckinneycdc.org, by calling 972.547.7653 or emailing cschneible@mckinneycdc.org.*

Applications must be completed in full, using this form, and received by MCDC, via email or on a thumb drive, by 5:00 p.m. on the date indicated in schedule below.

2019 Project Grant Application Schedule

Application Deadline	Presentation to MCDC Board	Board Vote and Award Notification
Cycle I: December 28, 2018	January 24, 2019	February 28, 2019
Cycle II: March 30, 2019	April 25, 2019	May 23, 2019
Cycle III: June 28, 2019	July 25, 2019	August 22, 2019

APPLICATION

Project Grants support for projects eligible for consideration under Sections 501 and 505 of the Texas Local Government Code. These include:

- Projects Related to the Creation or Retention of Primary Jobs
- Infrastructure Improvement Projects Necessary to Develop New or Expanded Business Enterprises
- Public Parks and Open Space Improvements
- Projects Related to Recreational or Community (city/public access) Facilities
- Professional and Amateur Sports and Athletic Facilities, including Children's Sports
- Entertainment, Tourist and Convention Facilities
- Projects Related to Low Income Housing
- Mass Transit-Related Facilities
- Airport Facilities

INFORMATION ABOUT YOUR ORGANIZATION

Name: City of McKinney – Housing and Community Development Department

Federal Tax I.D.: 75-6000599

Incorporation Date: 1849

Mailing Address: PO Box 517

City: McKinney

ST: TX

Zip: 75070

Phone: 972-547-7500

Fax: 972-547-2681

Email: ctodd@mckinneytexas.org

Website: www.mckinneytexas.org/HousingServices

Check One:

- ☐ Nonprofit – 501(c) Attach a copy of IRS Determination Letter
- ☒ Governmental entity
- ☐ For profit corporation
- ☐ Other

Professional affiliations and organizations to which your organization belongs: McKinney Chamber of Commerce, Texas Association of Community Development Corporations (TACDC), National Community Development Association (NCDCA), Texas City Management Association (TCMA), and Texas Association of Local Housing Finance Agencies (TALHFA).

REPRESENTATIVE COMPLETING APPLICATION:

Name: Cristel Todd

Title: Affordable Housing Administrator

Mailing Address: 406 N Tennessee St

City: McKinney

ST: TX

Zip: 75069

Phone: 972-547-7519

Fax: 972-547-2681

Email: ctodd@mckinneytexas.org

CONTACT FOR COMMUNICATIONS BETWEEN MCDC AND ORGANIZATION:

Name: Cristel Todd

Title: Affordable Housing Administrator

Mailing Address: 406 N Tennessee St

City: McKinney

ST: TX

Zip: 75069

Phone: 972-547-7519

Fax: 972-547-2681

Email: ctodd@mckinneytexas.org

FUNDING

Total amount requested: \$150,000.00

Matching Funds Available (Y/N and amount): N

Will funding be requested from any other City of McKinney entity (e.g. TIRZ Grant, City of McKinney Community Support Grant)?

☐ Yes

☒ No

Please provide details and funding requested: N/A

PROJECT

Start Date: June 2019

Completion Date: May 2020

BOARD OF DIRECTORS *(may be included as an attachment)*

N/A

LEADERSHIP STAFF *(may be included as an attachment)*

Janay Tieken

Housing and Community Development Manager

Cristel Todd

Affordable Housing Administrator

Using the outline below, provide a written narrative no longer than 7 pages in length:

I. City of McKinney – Housing and Community Development Department

Describe the mission, strategic goals and objectives, scope of services, day to day operations and number of paid staff and volunteers.

- Housing and Community Development Mission Statement:
To utilize public funds to enhance the quality of life for McKinney residents by providing for community and neighborhood resources, transit, affordable housing and economic development.
- The Housing Services Division oversees the development and preservation of quality, affordable and accessible housing and the development of viable communities throughout McKinney. We provide home repairs for low to moderate income homeowners in McKinney. We have helped over 100 families with emergency repairs, small repairs and major home rehabilitation. The City of McKinney Housing Rehabilitation Program is funded by the Community Development Block Grant (CDBG). These funds are awarded to the City of McKinney by the U.S. Department of Housing and Urban Development (HUD).
- We have 9 full time staff members in our department.

Disclose and summarize any significant, planned organizational changes and describe their potential impact on the Project for which funds are requested.

- There are not any significant planned organizational changes that we are aware of that would impact the project.

II. Project: Property Maintenance

- Outline details of the Project for which funds are requested. Include information regarding scope, goals, objectives, end user.
 - i. In 2018, when the building codes were updated it included the addition of the 2015 International Property Maintenance Code (IPMC). The IPMC is the code that regulates the minimum maintenance for existing buildings.
 - ii. Historically, code enforcement focused on violations around the home such as: high weeds and grass, Trash/Limbs/Debris on the property, Junk Vehicles, etc.
 - iii. Now it will include the maintenance of the Home such as: Broken Windows, Peeling Paint, Dilapidated Roof, Failing Foundation, etc.
 - iv. The enforcement of the IPMC will start on March 29, 2019.
 - v. We are partnering with our Code Enforcement department to assist low income families that will need assistance is correcting the violations so they will not incur fees that will cause a household

burden. We will partner with local churches that will be able to assist with some of the smaller projects.

- vi. Our goal is to help as many residents as we can to be in compliance with property maintenance code.
- Describe how the proposed Project fulfills strategic goals and objectives for your organization and benefits the McKinney community.
 - i. This project helps us improve the quality of life for the homeowners and promotes a positive environment for the neighborhood. It will preserve property values and keep properties from deteriorating to the point of becoming a substandard or dangerous structure. This is very important to assist our elderly/disabled to age in place.
- Please also include planned support activities, timeframe/schedule, and estimated use and admission fees if applicable.
 - i. The enforcement of the IPMC will start on March 29, 2019.
- Include the location for Project.
 - i. City of McKinney
- Provide a timeline for the Project – from design to completion.
 - i. This will be an ongoing project until further notice. We will spent MCDC funding in no more than 12 months.
- Will the project be competitively bid?
 - i. We do have an approved contractors list we work with and have them submit bids for projects we do. It may be possible that we can partner on some of the projects and then just pay for the materials.
- Are there plans for growth/expansion in future years?
 - i. IPMC is the expectation from this point forward. The program will have potential to grow as its city wide and will impact a lot of people.

Please provide the information requested below:

- | | | |
|-----------------------------|---|-----------------------------|
| • An expansion/improvement? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| • A replacement/repair? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| • A multi-phase project? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| • A new project? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |

Has a feasibility study or market analysis been completed for this proposed project? If so, please attach a copy of the Executive Summary. NO

Provide specific information to illustrate how this Project aligns with one or more of the goals and strategies adopted by McKinney City Council and McKinney Community Development:

- Eligible for MCDC consideration under Sections 501 to 505 of the Texas Local Government Code (refer to MCDC Grant Guidelines and/or page 1 of this application)
- Support cultural, sports, fitness, entertainment, community projects and events that attract resident and visitor participation and contribute to quality of life, business development and growth of McKinney sales tax revenue
- Highlight and promote McKinney as a unique destination for residents and visitors alike
- Meet citizen needs for quality of life improvements, business development and sustainable economic growth for residents in the City of McKinney
- Demonstrate informed financial planning – addressing long-term costs, budget consequences and sustainability of projects for which funding is requested

Indicate which goal(s) listed above will be supported by the proposed Project/Promotional/Event:

This project aligns with McKinney City Council goal number five: Enhance the Quality of Life in McKinney, specifically 5E: Develop sustainable quality of life improvements within the City of McKinney. It also meets the MCDC goal of meeting the citizen needs for quality of life improvements. This project does exactly that, it improves the quality of life so residents are living in safe, sanitary, affordable housing! We do not want to increase the household burden on our already overburdened low to moderate income households.

Has a request for funding, for this Project been submitted to MCDC in the past?

☐ Yes

☒ No

Date(s):

III. Financial

- Provide an overview of the organization's financial status including the impact of this grant request on organization mission, goals and business model.
 - The City of McKinney is financially sound. The Housing and Community Development Department has had no findings with any federal funding.
 - We have \$517,973.00 budgeted for home repairs and have committed \$418,831.56. We have eight pending applications with the remaining \$99,141.44. Our average project amount is \$25,000.
 - Without the MCDC funding we will not be able to assist low income residents with the maintenance repairs needed. We will refer them to local non-profits and churches that can help. Unfortunately, some of the jobs will be too big for them to handle due to financial and volunteer constraints.
- Please attach your organization's budget for the current year and audited financial statements for the preceding two years. If audited financials are not available, please indicate why.

What is the total estimated cost for this Project?

\$150,000.00

Please provide a detailed budget specific to the proposed Project.

We do not have a detailed budget specific to the proposed project since the enforcement of the IPMC starts on 3/29/19. This is new territory for us all. With 71% of our housing stock being 20+ years and 5% being 50+ years every property that needs assistance will be different. One may only need windows replaced while another will need roofing, windows and a porch.

What percentage of Project funding will be provided by the Applicant? 0

Are Matching Funds available? ☐ Yes ☒ No

Cash \$0	Source N/A	% of Total 0
In-Kind \$0	Source N/A	% of Total 0

Please provide details regarding other potential sources for funding. Include name of organization(s) solicited; date of solicitation; amount of solicitation and date that notice of any grant/award/loan is expected. N/A

IV. Marketing and Outreach

Describe marketing plans and outreach strategies for your organization and for the Project for which you are requesting funding – and how they are designed to help you achieve current and future goals.

- Code enforcement officers will start going house to house on 3/29/19. We have five code officers that cover the City of McKinney.
- Door hangers will be left at the homes that have violations. A certified letter will also be sent to the homes. They are provided our department information if they need assistance with repairs.
- Brochures have been printed, website updated, etc.
- We feel the need is going to outweigh the resources available to assist.

V. Metrics to Evaluate Success

Outline the metrics that will be used to evaluate success of the proposed Project. If funding is awarded, a final report will be required summarizing success in achieving objectives outlined for the event.

- Before and after photos of the homes assisted will be taken.

Acknowledgements

If funding is approved by the MCDC board of directors, Applicant will assure:

- The Project for which financial assistance is sought will be administered by or under the supervision of the applying organization.
- All funds awarded will be used exclusively for the purpose described in this application.

- Applicant owns the land, building or facility where the proposed project will be located. If the Applicant does not own the land, written acknowledgement/approval from the property owner must be included with the application. The letter must document the property owner is aware of the proposed use of the property or facility; and the property owner has reviewed the project plan and application, approves and supports the efforts of the Applicant.
- MCDC will be recognized in all marketing, advertising, outreach and public relations as a funder of the Project. Specifics to be agreed upon by applicant and MCDC and included in an executed performance agreement.
- Organization's officials who have signed the application are authorized by the organization to submit the application.
- Applicant will comply with the MCDC Grant Guidelines in executing the Project for which funds were awarded.
- A final report detailing the successful completion of the Project, as measured against identified metrics, will be provided to MCDC no later than 30 days following the completion of the Project.
- Grant funding is provided on a reimbursement basis subsequent to submission of a reimbursement request, with copies of invoices and paid receipts for qualified expenses. Up to 20% of the grant awarded may be withheld **until the final report on completion of the Project is provided to MCDC.**

The required performance agreement will contain a provision certifying that the applicant does not and will not knowingly employ an undocumented worker in accordance with Chapter 2264 of the Texas Government Code, as amended. Further, should the applicant be convicted of a violation under 8 U.S.C. § 1324a(f), the applicant will be required to repay the amount of the public subsidy provided under the agreement plus interest, at an agreed to interest rate, not later than the 120th day after the date the MCDC notifies the applicant of the violation.

We certify that all figures, facts and representations made in this application, including attachments, are true and correct to the best of our knowledge.

Chief Executive Officer

Representative Completing Application

Signature

Signature

Printed Name

Printed Name

Date

Date

INCOMPLETE APPLICATIONS, OR THOSE RECEIVED AFTER THE DEADLINE, WILL NOT BE CONSIDERED.

CHECKLIST:

Completed Application:

- ☒ Use the form/format provided
- ☒ Organization Description
- ☒ Outline of Project: description, budget, goals and objectives
- ☒ Indicate the MCDC goal(s) that will be supported by this Project
- ☒ Project timeline and location
- ☒ Plans for advertising, marketing and outreach
- ☒ Evaluation metrics
- ☒ List of board of directors and staff
- ☒ Financials provided: organization's budget for current fiscal year; Project budget; audited financial statements
- ☒ Feasibility Study or Market Analysis if completed (Executive Summary)
- ☒ IRS Determination Letter (if applicable)

A FINAL REPORT IS TO BE PROVIDED TO MCDC WITHIN 30 DAYS OF THE COMPLETION OF THE PROJECT

FINAL PAYMENT OF FUNDING AWARDED WILL BE MADE UPON RECEIPT OF FINAL REPORT.

PLEASE USE THE FORM/FORMAT OUTLINED ON THE NEXT PAGE.



McKinney COMMUNITY DEVELOPMENT CORPORATION

Final Report

Organization:

Funding Amount:

Project:

Start Date:

Completion Date:

Location of Project:

Please include the following in your report:

- Narrative report on the Project
- Identify goals and objectives achieved
- Financial report – budget as proposed and actual expenditures, with explanations for any variance
- Samples of printed marketing and outreach materials
- Photographs, slides, videotapes, etc.
- Performance against metrics outlined in application

Please submit Final Report no later than 30 days following the completion of the Project/Promotional/Community Event to:

McKinney Community Development Corporation
5900 S. Lake Forest Blvd., Suite 110
McKinney, TX 75070

Attn: Cindy Schneible
cschneible@mckinneycdc.org

ACCOUNT	DESCRIPTION	BUDGET	ACTUAL	BALANCE
017-1703-461.80-03	FULL-TIME	97,414.00	48,906.61	48,507.39
017-1703-461.80-05	PART-TIME			
017-1703-461.80-10	OVERTIME			
017-1703-461.80-11	LONGEVITY/STABILITY		1.20	1.20-
017-1703-461.80-20	FICA	1,015.00	1,390.40	375.40-
017-1703-461.80-21	TMRs	7,530.00	3,628.10	3,901.90
017-1703-461.80-22	HEALTH BENEFITS FEE	14,961.00	7,858.61	7,102.39
017-1703-461.80-24	WELLNESS PROGRAM FEE	29,332.00	14,716.00	14,716.00
017-1703-463.81-06	NON-CAPITAL EQUIPMENT	1,200.00	1,200.00	
017-1703-463.81-30	FUEL	600.00	147.51	452.49
017-1703-463.81-40	TECHNOLOGY EQUIPMENT			
017-1703-463.84-10	FLEET REPAIR/MAINTENANCE	750.00		750.00
017-1703-463.84-20	COMPUTER SOFTWARE			
017-1703-463.85-06	TRAVEL/TRAINING/MILEAGE	3,490.00	759.70	2,730.30
017-1703-463.85-11	DUES/SUBSCRIPTIONS/LICENS	885.00		885.00
017-1703-463.85-16	PROFESSIONAL/CONTRACT SVC	517,973.00	418,831.56	99,141.44
017-1703-463.85-20	MARKETING/PROMOTIONAL	1,352.00		1,352.00
017-1703-463.85-25	PRINTING/REPRODUCTION SVC	1,443.00	146.93	1,296.07
017-1703-463.85-33	FILING/SERVICE FEES	300.00	145.50	154.50
017-1703-463.85-59	COMMUNITY GRANTS/ASSISTNC			
017-1703-466.92-04	VEHICLES/FLEET EQUIPMENT			
017-1703-466.92-30	TECHNOLOGY CAPITAL EQUIP			
TOTALS:		678,345.00	7,095.00	7,095.00-
			504,827.12	173,517.88

City of McKinney, Texas

Single Audit Reports

September 30, 2018



City of McKinney, Texas
September 30, 2018

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City of McKinney, Texas

Schedule of Expenditures of Federal and State Awards

Year Ended September 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>Department of Homeland Security</u>				
Direct Program				
UASI EOC Enhancement	97.067		\$ -	\$ 145,737
Armored Vehicle	97.067		-	207,991
			-	353,728
Total Department of Homeland Security			-	353,728
<u>Department of Justice</u>				
Direct Programs				
Federal Seizures - Equitable Sharing	16.922		-	146,174
Victims of Crime Assistance Formula Grant	16.575		-	40,444
			-	186,618
Total Department of Justice			-	186,618
<u>Department of Transportation</u>				
Highway Planning and Construction Cluster				
Direct Program				
TAP- Safety Access School	20.205	0918-24-213	-	285,135
Passed through from Texas Department of Transportation				
Traffic Signals FM546	20.205	1013-01-026	-	41,217
Custer/Bloomdale TR Light	20.205	0918-00-275	-	37,142
			-	78,359
			-	363,494
Total Highway Planning and Construction Cluster			-	363,494
Highway Safety Cluster				
Direct Program				
STEP- Comprehensive	20.600		-	87,136
Total Highway Safety Cluster			-	87,136
Passed through from Texas Department of Transportation				
Airport Master Plan Update	20.106	17MPMCKNY	-	297,220
			-	747,850
Total Department of Transportation			-	747,850
<u>Department of Agriculture</u>				
Direct Program				
Watershed Rehabilitation Program	10.916		-	160,843
			-	160,843
Total Department of Agriculture			-	160,843
<u>Department of Housing and Urban Development</u>				
CDBG - Entitlement Grants Cluster				
Direct Program				
Community Development Block Grants/Entitlement Grants	14.218		124,351	737,032
Total CDBG - Entitlement Grants Cluster			124,351	737,032
Passed through from Texas Department of Housing & Community Affairs				
Tenant Based Rental Assist. (TBRA)	14.239	1002632	-	122,534
			124,351	859,566
Total Department of Housing & Urban Development			124,351	859,566
<u>Institute of Museum and Library Services</u>				
Passed through from Texas State Library and Archives Commission				
FY2017 ILL Lending Reimbursement Program	45.310	900461	-	6,481
FY2018 ILL Lending Reimbursement Program	45.310	900899	-	6,687
			-	13,168
			-	13,168
Total Institute of Museum and Library Services			-	13,168
Total Federal Awards Expended			\$ 124,351	\$ 2,321,773

City of McKinney, Texas
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended September 30, 2018

Granting Agency/Grant Program	Grant or Identifying Number	Amount Expended
North Central Texas Council of Governments		
JARC - MUTD	GR1806	\$ 1,389
Texas State Soil and Water Conservation Board		
Dam Rehab NRCS Lake 4	EFAL4-ST-50035	82,277
Texas Department of Transportation (TXDOT)		
Virginia Parkway	CSJ 0918-24-191	1,305,552
Routine Airport Maintenance Program	M1818MCKN	32,291
McKinney Urban Transit	URB 1702 (33)	212,601
Total Texas Department of Transportation (TXDOT)		1,550,444
		\$ 1,634,110

City of McKinney, Texas
Notes to Schedules of Expenditures of Federal and State Awards
September 30, 2018

Notes to Schedule

1. 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, 2018. 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*. 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.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Federal expenditures are recognized following, as applicable, either the cost principles in OMB A-87, *Cost Principles for State, Local, and Indian Tribal Governments* or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and the State of Texas *Uniform Grant Management Standards*

Independent Auditor's Report

The Honorable Mayor and Members of the City Council
City of McKinney, Texas
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 aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of McKinney, Texas (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 January 30, 2019, which contained an "Emphasis of Matter" paragraph regarding a change in accounting principle.

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 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 of 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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Dallas, Texas
January 30, 2019

Report on Compliance for the Major Federal and State Programs; 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*

Independent Auditor's Report

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

Report on Compliance for the Major Federal and State Programs

We have audited the City of McKinney, Texas (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the State of Texas *Uniform Grant Management Standards* that could have a direct and material effect on the City's major federal and state programs for the year ended September 30, 2018. 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 statutes, regulations, contracts 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 the City's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audits 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Texas *Uniform Grant Management Standards*. Those standards, 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 audits provide a reasonable basis for our opinion on compliance for the major federal and state programs. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal and State Programs

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 major federal and state programs for the year ended September 30, 2018.

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 the major federal and state programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal and state programs 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 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 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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of McKinney, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise City's basic financial statements. We issued our report thereon dated January 30, 2019, which contained an unmodified opinion on those financial statements and a "Emphasis of Matter" paragraph regarding a change in accounting principle. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by the Uniform Guidance and the State of Texas *Uniform Grant Management Standards* and are 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 schedules of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

BKD, LLP

Dallas, Texas
January 30, 2019

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

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:
☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer
2. The independent auditor's report on internal control over financial reporting disclosed:
Significant deficiency(ies)? ☐ Yes ☒ None reported
Material weakness(es)? ☐ Yes ☒ No
3. Noncompliance considered material to the financial statements was disclosed by the audit?
☐ Yes ☒ No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards program disclosed:
Significant deficiency(ies)? ☐ Yes ☒ None reported
Material weakness(es)? ☐ Yes ☒ No
5. The opinion expressed in the independent auditor's report on compliance for a major federal award was:
☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer
6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)?
☐ Yes ☒ No

City of McKinney, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2018

7. The City's major federal program was:

Cluster/Program	CFDA Number
Community Development Block Grants/Entitlement Grants	14.218

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. The City qualified as a low-risk auditee?

☒ Yes ☐ No

State Awards

10. The independent auditor's report on internal control over compliance for a major state award program disclosed:

Significant deficiency(ies)? ☐ Yes ☒ None reported

Material weakness(es)? ☐ Yes ☒ No

11. The opinions expressed in the independent auditor's report on compliance for a major state award were:

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

12. The audit disclosed findings required to be reported by the State of Texas *Uniform Grant Management Standards*:

☐ Yes ☒ No

13. The City's major state program was:

Grant Program
Virginia Parkway

14. The threshold used to distinguish between Type A and Type B programs as those terms are defined in the State of Texas *Uniform Grant Management Standards* was \$300,000.

15. The City qualified as a low-risk auditee as that term is defined in the State of Texas *Uniform Grant Management Standards*?

☒ Yes ☐ No

City of McKinney, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2018

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
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No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding	Questioned Costs
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No matters are reportable.

Findings Required to be Reported by the State of Texas *Uniform Grant Management Standards*

Reference Number	Finding	Questioned Costs
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No matters are reportable.

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

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Summary of Finding	Status
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No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

Reference Number	Summary of Finding	Status
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No matters are reportable.

City of McKinney, Texas

Single Audit Reports

September 30, 2017



City of McKinney, Texas
September 30, 2017

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City of McKinney, Texas

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>Department of Homeland Security</u>				
Direct Program				
UASI AARF Simulator	97.067		\$ -	\$ 250,000
Total Department of Homeland Security			-	250,000
<u>Department of Justice</u>				
Passed through from City of Plano				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DH-BX-0496	-	11,854
Total Department of Justice			-	11,854
<u>Department of Transportation</u>				
Highway Planning and Construction Cluster				
Direct Program				
TAP- Safety Access School	20.205		-	46,210
Passed through from Texas Department of Transportation				
Highway Planning and Construction	20.205	0918-24-203	-	200,000
Total Highway Planning and Construction Cluster			-	246,210
Highway Safety Cluster				
Direct Program				
STEP- Comprehensive	20.600		-	89,055
Total Highway Safety Cluster			-	89,055
Total Department of Transportation			-	335,265
<u>United States Department of Agriculture</u>				
Direct Program				
Watershed Rehabilitation Program	10.916		-	149,861
Total Department of Agriculture			-	149,861
<u>Department of Housing and Urban Development</u>				
CDBG - Entitlement Grants Cluster				
Direct Program				
Community Development Block Grants/Entitlement Grants	14.218		116,599	702,222
Total CDBG - Entitlement Grants Cluster			116,599	702,222
Passed through from Texas Department of Housing & Community Affairs				
Tenant Based Rental Assist. (TBRA)	14.239	1002632	-	77,780
Total Department of Housing & Urban Development			116,599	780,002
Total Federal Awards Expended			\$ 116,599	\$ 1,526,982

City of McKinney, Texas
Notes to Schedules of Expenditures of Federal Awards
September 30, 2017

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the City of McKinney, Texas (City) under programs of the federal government for the year ended September 30, 2017. 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). 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.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Federal expenditures are recognized following, as applicable, either the cost principles in OMB A-87, *Cost Principles for State, Local, and Indian Tribal Governments* or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

The Honorable Mayor and Members of the City Council
City of McKinney, Texas
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 aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of McKinney, Texas (City), as of and for the year ended September 30, 2017, 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 15, 2018.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered the City's 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 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 of 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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Dallas, Texas
February 15, 2018

**Report on Compliance for the Major Federal Program; Report on Internal Control
Over Compliance; and Report on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Independent Auditor's Report

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

Report on Compliance for the Major Federal Program

We have audited the City of McKinney, Texas (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended September 30, 2017. The City's major federal program is 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, contracts 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 the City's major federal program 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* 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 the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the 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 its major federal program for the year ended September 30, 2017.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the 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.

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 Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of McKinney, Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 15, 2018, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

BKD, LLP

Dallas, Texas
February 15, 2018

City of McKinney, Texas
Schedule of Findings and Questioned Costs
Year Ended September 30, 2017

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:
☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer
2. The independent auditor's report on internal control over financial reporting disclosed:
Significant deficiency(ies)? ☐ Yes ☒ None reported
Material weakness(es)? ☐ Yes ☒ No
3. Noncompliance considered material to the financial statements was disclosed by the audit?
☐ Yes ☒ No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards program disclosed:
Significant deficiency(ies)? ☐ Yes ☒ None reported
Material weakness(es)? ☐ Yes ☒ No
5. The opinion expressed in the independent auditor's report on compliance for a major federal award was:
☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer
6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)?
☐ Yes ☒ No

City of McKinney, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2017

7. The City's major federal program was:

Cluster/Program	CFDA Number
Community Development Block Grants/Entitlement Grants	14.218

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.
9. The City qualified as a low-risk auditee?

☒ Yes ☐ No

City of McKinney, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2017

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
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No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding	Questioned Costs
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No matters are reportable.

City of McKinney, Texas
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2017

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Summary of Finding	Status
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No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

Reference Number	Summary of Finding	Status
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No matters are reportable.