

City of McKinney, Texas

Single Audit Report

For the Fiscal Year Ended September 30, 2023



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

The Honorable Mayor and 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 aggregate 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 14, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Weaver and Tidwell, L.L.P.
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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 14, 2024



Independent Auditor's Report on Compliance for Each Major Federal and State Program, Report on Internal Control over Compliance, and Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the Texas 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

Opinion on Each Major Federal and State Program

We have audited the City of McKinney, Texas (the City)'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* and the Texas Grant Management Standards that could have a direct and material effect on each of the City's major federal and state programs for the year ended September 30, 2023. The City's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the Texas Grant Management Standards (TxGMS) issued by the Texas Governor's Office of Budget and Planning. Our responsibilities under those standards, the Uniform Guidance, and TxGMS are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

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

Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the Texas 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 as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic statements. We issued our report thereon dated February 14, 2024, 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 Texas 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 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 14, 2024

City of McKinney, Texas

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

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	EMW-2021-SS-00062	\$ 126,426	\$ -
Homeland Security Grant Program	97.067	EMW-2022-SS-00021	95,300	-
Total Assistance Listing #97.067			221,726	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			221,726	-
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Programs:				
Continuum of Care - Rapid Housing Grant	14.267	TX0550L6T002102	227,201	-
Total Assistance Listing # 14.267			227,201	-
Community Development Block Grants - 2019	14.218	B19MC480043	383,577	-
Community Development Block Grants - 2020	14.218	B20MC480043	167,949	-
Community Development Block Grants - 2021	14.218	B21MC480043	277,554	-
Community Development Block Grants - 2022	14.218	B22MC480043	420,335	131,047
Total CDBG Entitlement Grants Cluster			1,249,415	131,047
Passed through Texas Department of Housing & Community Affairs:				
Tenant Based Rental Assistance (TBRA)	14.239	1003095	150,879	-
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			1,627,495	131,047
U.S. DEPARTMENT OF JUSTICE				
Direct Programs:				
Federal Seizures - Equitable Sharing	16.922	TX0430500	25,923	-
Victims of Crime Assistance Grant Program	16.575	2021-CS-21027	66,707	-
Passed through City of Plano:				
Edward Byrne Justice Assistance Grant Program	16.738	15PBJA-22-GG-02324-JAGX	16,974	-
TOTAL U.S. DEPARTMENT OF JUSTICE			109,604	-
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through Texas Department of Transportation:				
Airport Improvement Program	20.106	2118KINNY	570	-
Airport Improvement Program	20.106	2218KINNY	653,600	-
Total Assistance Listing #20.106			654,170	-
Highway Planning and Construction Cluster	20.205	CSJ: 2351-01-017	34,800	-
Total Highway Planning and Construction Cluster			34,800	-
STEP Comprehensive - Highway Safety Cluster	20.600	2023-McKinney-S-1YG-00053	50,000	-
Total Highway Safety Cluster			50,000	-
Direct Programs:				
Urbanized Area Formula Program	20.507	TX-2019-025-00	668,009	-
Urbanized Area Formula Program	20.507	TX-2022-081-00	121,895	-
COVID-19 - Urbanized Area Formula Program	20.507	TX-2020-133-00	681,853	-
Total Federal Transit Cluster			1,471,757	-
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			2,210,727	-

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, 2023

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				
Direct Programs:				
COVID-19 - American Rescue Plan Act	21.027	N/A	21,000,000	-
TOTAL U.S. DEPARTMENT OF TREASURY			21,000,000	-
INSTITUTE OF MUSEUM AND LIBRARY SERVICES				
Passed through Texas State Library and Archives Commission:				
Interlibrary Loan Lending Reimbursement Program	45.310	LS-252486-OLS-22	3,989	-
TOTAL INSTITUTE OF MUSEUM AND LIBRARY SERVICES			3,989	-
TOTAL FEDERAL ASSISTANCE			<u>\$ 25,173,541</u>	<u>\$ 131,047</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, 2023

State Grantor/Pass-Through Grantor Program Title	Grantor or Pass-Through Grantor's Number	Program Award Expenditures
NORTH CENTRAL TEXAS COUNCIL OF GOVERNMENTS		
Tire Event	GR2314	\$ 2,500
Passed through Texas Department of Transportation:		
E Louisiana Infrastructure Improvement Phase 1	CSJ:0918-24-258	2,235,888
SH5 Deck Park Feasibility Study	CSJ:0047-05-059	23,684
TOTAL NORTH CENTRAL TEXAS COUNCIL OF GOVERNMENTS		<u>2,262,072</u>
TEXAS OFFICE OF THE GOVERNOR		
Bullet Resistant Shield	4608801	<u>112,210</u>
TOTAL TEXAS OFFICE OF THE GOVERNOR		112,210
TEXAS PARK AND WILDLIFE		
Courts Indoor Expansion	51-000075	<u>701,000</u>
TOTAL TEXAS PARK AND WILDLIFE		701,000
TEXAS DEPARTMENT OF TRANSPORTATION		
McKinney Urban Transit - 2022	STATE-U-2022-McKinney*-00152	790,755
McKinney Urban Transit - 2023	STATE-U-2023-McKinney*-00089	51,489
Extend Runway 18-36 & Parallel Taxiway B 1500' South	2018MCKNY	10,704,295
Routine Airport Maintenance Program	M2318MCKN	<u>26,268</u>
TOTAL TEXAS DEPARTMENT OF TRANSPORTATION		<u>11,572,807</u>
TOTAL STATE ASSISTANCE		<u><u>\$ 14,648,089</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, 2023. 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, 2023. The expenditures are listed within the Schedule of Federal Awards under the Airport Improvement Program for \$654,170 and within the Schedule of State Awards under the Extend Runway Program for \$10,704,295.

Note 4. Loans

At September 30, 2023, 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, 2023

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:

<u>Assistance Listing/Grant Identification Number</u>	<u>Name of Federal and State Program or Cluster</u>
Major Federal Programs: 21.027	COVID-19 – American Rescue Plan Act
Major State Program: 2018MCKNY	Extend Runway 18-36 & Parallel Taxiway B 1500' South
CSJ0918-24-258	E Louisiana Infrastructure Improvement Phase 1
STATE-U-2022-McKinney*-00152	McKinney Urban Transit
STATE-U-2023-McKinney*-0089	

Dollar threshold used to distinguish between Type A and Type B programs: \$755,206 for federal programs
\$750,000 for state programs

Auditee qualified as low-risk auditee? Yes No

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