

CITY OF NORTH RICHLAND HILLS, TEXAS
FEDERAL AND STATE SINGLE AUDIT REPORT

For the Fiscal Year Ended
September 30, 2019

CITY OF NORTH RICHLAND HILLS, TEXAS

TABLE OF CONTENTS

	<u>Page</u>
Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report of Independent Auditors on Compliance for Each Major Federal and State Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditure of Federal and State Awards Required by the <i>Uniform Guidance</i> and the State of Texas <i>Uniform Grant Management Standards</i>	3
Schedule of Findings and Questioned Costs	7
Schedule of Expenditures of Federal and State Awards	9
Notes to Schedule of Expenditures of Federal and State Awards	11
Summary Schedule of Prior Audit Findings	12
Corrective Action Plan	13

REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and Members of the City Council
City of North Richland Hills, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Richland Hills, Texas (the “City”), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated March 13, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Honorable Mayor and
Members of the City Council
City of North Richland Hills, Texas

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive style with a large, stylized "P" for Penn.

Fort Worth, Texas
March 13, 2020

REPORT OF INDEPENDENT AUDITORS 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
City of North Richland Hills, Texas

Report on Compliance for Each Major Federal and State Program

We have audited the City of North Richland Hills, Texas' (the "City") compliance with the types of requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* and the State of Texas *Uniform 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, 2019. 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 and state statutes, regulations, and 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 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 and 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 and 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.

To the Honorable Mayor and
Members of the City Council
City of North Richland Hills, Texas

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, 2019.

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 the Uniform Guidance and the State of Texas *Uniform Grant Management Standards*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City'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 and 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 and 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 and 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.

To the Honorable Mayor and
Members of the City Council
City of North Richland Hills, 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, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 13, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and the State of Texas *Uniform Grant Management Standards* and is not a required part of 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 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.

Whitley Penn LLP

Fort Worth, Texas
March 13, 2020



CITY OF NORTH RICHLAND HILLS, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2019

I. Summary of Auditors' Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness (es) identified?	No
Significant deficiency (ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal controls over major programs:	
Material weakness (es) identified?	No
Significant deficiency (ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	None

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Highway Planning and Construction Cluster	20.205
Dollar threshold used to distinguish Between Type A and Type B federal programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

CITY OF NORTH RICHLAND HILLS, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended September 30, 2019

I. Summary of Auditors' Results (continued)

State Awards

Internal control over major programs:

Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major state programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the <i>Uniform Grant Management Standards</i> ?	None

Identification of major programs:

Name of State Program or Cluster

North Texas Anti-Gang Center

Dollar Threshold Considered Between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

II. Financial Statement Findings

None Noted

III. Federal Award Findings and Questioned Costs

None Noted

IV. State Award Findings and Questioned Costs

None Noted

CITY OF NORTH RICHLAND HILLS, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended September 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Justice			
Direct Awards:			
<i>Equitable Sharing Program</i>	16.922	N/A	\$ 26,480
<i>Bulletproof Vest Partnership Program</i>	16.607	N/A	1,440
<i>Drug Enforcement Agency</i>	16.000	N/A	36,301
Pass-through from:			
City of Fort Worth, Texas:			
<i>Edward Byrne Memorial Justice Assistance Grant Program</i>	16.738	097-985-824	7,480
Texas Office of the Governor - Criminal Justice Division (CJD):			
<i>Edward Byrne Memorial Justice Assistance Grant Program</i>	16.738	3568701	54,374
<i>Victim of Crime Act Formula Grant Program</i>	16.575	3544401	195,572
<i>Violence Against Women Formula Grants</i>	16.588	3367202	96,527
Total U.S. Department of Justice			<u>418,174</u>
U.S. Department of Transportation			
Pass-through from Texas Department of Transportation:			
<u>Highway Planning and Construction Cluster:</u>			
<i>Highway Planning and Construction Program</i>	20.205	CSJ 0902-90-079	54,118
<i>Highway Planning and Construction Program</i>	20.205	CSJ 0902-48-577	3,412,352
<i>Highway Planning and Construction Program</i>	20.205	CSJ 0902-90-080	8,568
Total Highway Planning and Construction Cluster			<u>3,475,038</u>
<u>Highway Safety Cluster:</u>			
<i>State and Community Highway Safety</i>	20.600	2019-Nrichlan-S-1YG-00028	31,090
Total Highway Safety Cluster			<u>31,090</u>
Total Pass-through from Texas Department of Transportation			<u>3,506,128</u>
Total U.S. Department of Transportation			<u>3,506,128</u>
U.S. Institute of Museum and Library			
Pass-through from Texas Library and Archives Commission:			
<i>Grants to States</i>	45.310	901480	6,660
Total U.S. Institute of Museum and Library			<u>6,660</u>
U.S. Department of Homeland Security			
Pass-through from the City of Irving, Texas			
Non-cash Assistance (Equipment):			
<i>Homeland Security Grant Program</i>	97.067	3321201	35,253
<i>Homeland Security Grant Program</i>	97.067	3402001	24,990
Total U.S. Department of Homeland Security			<u>60,243</u>
Total Federal Expenditures			<u>\$ 3,991,205</u>

CITY OF NORTH RICHLAND HILLS, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (continued)
For the Year Ended September 30, 2019

<u>State Granting Agency/Grant Program</u>	<u>Grant or Identifying Number</u>	<u>Total State Expenditures</u>
Texas Governor's Office - Criminal Justice Division		
2018 North Texas Anti Gang Center	2018-AG-ST-0019	\$ 221,183
2019 North Texas Anti Gang Center	2019-AG-ST-0019	740,743
2020 North Texas Anti Gang Center	2020-AG-ST-0019	<u>63,243</u>
Total Texas Governor's Office - Criminal Justice Division		1,025,169
Texas Attorney General's Office		
State Asset Forfeitures	N/A	28,011
Texas Department of Transportation		
North Richland Hills - NETS	MGA-2017-2021-NETS-084	<u>116,134</u>
Total State Awards		<u>1,169,314</u>
Total Federal and State Awards		<u>\$ 5,160,519</u>

CITY OF NORTH RICHLAND HILLS, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended September 30, 2019

Note 1 - Summary of Significant Accounting Policies

The City accounts for awards under federal and state programs in the General, Special Revenue, and in the local Capital Projects governmental funds.

In the Governmental funds, these programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Expenditures are recognized following the cost principles contained in the Uniform Guidance and State of Texas *Uniform Grant Management Standards*, wherein certain types of expenditures are not allowable or are limited to reimbursement. Pass-through entity identifying numbers are presented where available.

Federal and state grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods. The City has elected not to use a 10 percent de minimis indirect cost rate allowed under the Uniform Guidance on an overall basis. Certain grants allow for a negotiated indirect cost rate using a consistent basis, which has been implemented.

Note 2 - Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the “Schedule”) includes the federal and state grant activity of the City under programs of the federal and state government for the year ended September 30, 2019. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance and State of Texas *Uniform Grant Management Standards*. Because the schedule presents on 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.

CITY OF NORTH RICHLAND HILLS, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2019

Federal regulations, Title 2 U.S. Code of Federal Regulations Section 200.511 states, “The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings.” The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit’s schedule of findings and questioned costs and
- All audit findings reported in the prior audit’s summary schedule of prior audit findings except audit findings listed as corrected.

I. Prior Audit Findings

None reported

CITY OF NORTH RICHLAND HILLS, TEXAS

CORRECTIVE ACTION PLAN

For the Year Ended September 30, 2019

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, “At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports.”

I. Corrective Action Plan

Not applicable