

CITY OF AMARILLO, TEXAS

**SINGLE AUDIT –
FEDERAL AND STATE AWARDS
SUPPLEMENTARY FINANCIAL REPORT**
Year Ended September 30, 2017

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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
City of Amarillo, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Amarillo, Texas (the 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 27, 2018.

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 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.

Connor McMillon Mitchell & Snodgrass PLLC

Amarillo, Texas
February 27, 2018

**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance
and the State of Texas Uniform Grants Management Standards**

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

Report on Compliance for Each Major Federal and State Program

We have audited the City of Amarillo, Texas (the City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* and the State of Texas Uniform Grants 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, 2017. The City's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and State of Texas Uniform Grants Management Standards. Those standards, the Uniform Guidance, and the State of Texas Uniform Grants 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.

Opinion on Each Major Federal and State Program

In our opinion, the City complied, in all material respects, with the 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, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and State of Texas Uniform Grants Management Standards which are described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion of each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Grants 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, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-001, that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the State of Texas Uniform Grants 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, 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 27, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and the State of Texas Uniform Grants Management Standards and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 Grants Management Standards. Accordingly, this report is not suitable for any other purpose.

Connor McMillon-Mitchell & Spennum PLLC

Amarillo, Texas
February 27, 2018

CITY OF AMARILLO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended September 30, 2017

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Pass-through To Subrecipients	Federal Expenditures
<u>FEDERAL AWARDS</u>				
U.S. Department of Agriculture				
<i>Pass-through from:</i>				
Texas Department of State Health Services Special Supplemental Nutrition Program for Women, Infants, and Children WIC Card Participation Total CFDA No. 10.557	10.557	2017-049839	\$ -	\$ 1,371,744
			-	<u>1,371,744</u>
Texas Department of Agriculture Summer Food Service Program (SFSP) Farmers' Market Nutrition Program (FMNP) Total U.S. Department of Agriculture	10.559 10.572	01526 01526	- -	294,620 82,648 <u>1,749,012</u>
U.S. Department of Energy				
<i>Pass-through from:</i>				
State Energy Conservation Office AIP Grant CP1704 Total U.S. Department of Energy	81.214	CP1704; CMD 17-6218JM	-	164,224 <u>164,224</u>
U.S. Department of Homeland Security				
<i>Pass-through from:</i>				
Texas Dept of Public Safety (to DBA Amarillo-Potter-Randall County) Emergency Management Performance Grant Total U.S. Department of Homeland Security	97.042	16TX-EMPG-1108	-	57,419 <u>57,419</u>
U.S. Department of Health and Human Services				
<i>Pass-through from:</i>				
Texas Department of State Health Services Immunization Division - Locals Immunization Division - Locals Immunization Division - Noncash Total CFDA No. 93.268 PPCPS/Hazards PPCPS/Hazards CPS/EBOLA Public Health Preparedness Total CFDA No. 93.074 Refugee and Entrant Assistance - Discretionary Grants Tuberculosis Prevention and Control and Laboratory Program Tuberculosis Prevention and Control and Laboratory Program Total CFDA No 93.116 RLSS/LPHS RLSS/LPHS U.S. Committee for Refugees & Immigrants Refugee Medical Screening Total U.S. Department of Health and Human Services	93.268 93.268 93.268 93.069 93.074 93.074 93.566 93.116 93.116 93.991 93.758 93.566	537-18-0070-00001 2016-001037-01 2016-001037-01 2016-001158-02 537-18-0125-00001 2015-003651-01 2016-001042-02 2016-001380-01 2016-001380-00 2016-000021-00 537-18-0183-00001 2017-AMATX-01	- - - - - - - - - - - -	11,052 107,509 872,731 <u>991,292</u> 168,198 46,001 15,860 <u>61,861</u> 194,466 42,271 4,212 <u>46,483</u> 41,262 11,615 226,910 <u>1,742,087</u>
U.S. Department of Housing & Urban Development				
<i>Direct:</i>				
Supportive Housing for Persons with Disabilities (5 Yr Mainstream) Family Self-Sufficiency Program Family Self-Sufficiency Program Total CFDA No 14.896 Community Development Block Grant/Entitlement Grants - 2016	14.181 14.896 14.896 14.218	- - - -	- - - -	340,459 1,095 19,030 <u>20,125</u> 633,216
<i>Subrecipients:</i>				
Amarillo Multiservice Center for the Aging, d.b.a. Jan Werner Adult Day Care Catholic Charities of the Texas Panhandle Panhandle Workforce Development Board d.b.a. Workforce Solutions Panhandle Panhandle Regional Planning Commission Guyon Saunders Resource Center Amarillo Wesley Community Center, Inc. Family Support Services of Amarillo Maverick Boys and Girls Club of Amarillo The Salvation Army Community Development Block Grant/Entitlement Grants - 2015 Community Development Block Grant/Entitlement Grants - 2014 Total CFDA No 14.218	- - - - - - - - - 14.218 14.218	- - - - - - - - - - -	16,000 26,000 80,000 22,000 10,997 10,000 5,000 15,950 15,708 - - -	- - - - - - - - - 594,519 28,559 <u>1,256,294</u>

CITY OF AMARILLO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS, CONTINUED
Year Ended September 30, 2017

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Pass-through To Subrecipients	Federal Expenditures
U.S. Department of Housing & Urban Development (Continued)				
<i>Direct:</i>				
Home Investment Partnership Program - 2016	14.239	-	-	140,977
<i>Subrecipients:</i>				
Amarillo Habitat for Humanity			40,635	-
Home Investment Partnership Program - 2015	14.239	-	-	334,536
<i>Subrecipients:</i>				
Amarillo Habitat for Humanity			73,465	-
Home Investment Partnership Program - 2014	14.239	-	-	166,410
<i>Subrecipients:</i>				
Amarillo Habitat for Humanity			4,377	-
Home Investment Partnership Program - 2013	14.239	-	-	230,245
<i>Subrecipients:</i>				
Amarillo Habitat for Humanity			10,623	-
Home Investment Partnership Program - 2012	14.239	-	-	60,816
Total CFDA No 14.239				<u>932,984</u>
Continuum of Care Program-Homeless Management Information System (HMIS)	14.267	-	-	32,218
Continuum of Care Program-Permanent Housing (Shelter Plus Care)	14.267	-	-	276,808
Continuum of Care Program-Permanent Housing (Shelter Plus Care)	14.267	-	-	136,726
Continuum of Care Program-Transitional Housing (Supportive Housing)	14.267	-	-	1,500
Total CFDA No 14.267				<u>447,252</u>
Section 8 Housing Choice Vouchers	14.871	-	-	9,848,005
Total Direct				<u>12,845,119</u>
<i>Pass-through from:</i>				
Texas Department of Housing and Community Affairs				
Emergency Shelter Grants Program	14.231	42160002542	-	143,282
<i>Subrecipients:</i>				
Family Support Services			12,376	-
The Salvation Army			80,776	-
Guyon Saunders Resource Center			15,472	-
Total Pass-through				<u>143,282</u>
Total U.S. Department of Housing & Urban Development				<u>12,988,401</u>
U.S. Department of Justice				
<i>Direct:</i>				
Edward Byrne Memorial Justice Assistance Grant	16.738	-	-	52,609
<i>Subrecipients:</i>				
Potter County Texas			52,609	-
				<u>52,609</u>
Equitable Sharing Program	16.922	-	-	43,932
<i>Pass-through from:</i>				
Family Support Services				
Crime Victim Assistance-DVHRTC	16.575	-	-	17,532
Total U.S. Department of Justice				<u>114,073</u>
U.S. Department of Transportation				
<i>Pass-through from:</i>				
Texas Department of Transportation				
Bus and Bus Facilities - Section 5339	20.526*	TX-34-0018	-	19,758
Unified Planning Work Program (5303)	20.205	50-17XF0012	-	421,653
STEP-STEP Comprehensive	20.600	2017-Amarillo-S-1YG-0019	-	149,885
Click It or Ticket STEP - Memorial Day Holiday	20.616	2017-Amarillo-CIOT-00014	-	10,751
Total U.S. Department of Transportation				<u>602,047</u>
U.S. Department of Transportation - Federal Transit Administration				
<i>Direct:</i>				
Federal Transit Administration FY2009 Capital & Operations	20.507*	-	-	1,418,889
Federal Transit Administration FY2010 Capital & Operations	20.507*	-	-	250,958
Federal Transit Administration FY2011	20.507*	-	-	-
Federal Transit Administration FY2012	20.507*	-	-	277,174
Federal Transit Administration FY2013	20.507*	-	-	432,179
Federal Transit Administration FY2014	20.507*	-	-	176,770
Federal Transit Administration FY2015	20.507*	-	-	2,220,650
Federal Transit Administration FY2016	20.507*	-	-	179,268
Total CFDA No. 20.507				<u>4,955,888</u>
Total U.S. Department of Transportation - Federal Transit Administration				<u>4,955,888</u>

CITY OF AMARILLO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS, CONTINUED
Year Ended September 30, 2017

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Pass-through To Subrecipients	Federal Expenditures
U.S. Department of Transportation - Federal Aviation Administration				
<i>Direct:</i>				
Airport Improvement Program - 2013-38	20.106	-	-	68,190
Airport Improvement Program - 2015-39	20.106	-	-	301,244
Airport Improvement Program - 2016-40	20.106	-	-	1,637,850
Airport Improvement Program - 2016-41	20.106	-	-	67,776
Airport Improvement Program - 2017-42	20.106	-	-	14,339
Total CFDA No. 20.106				<u>2,089,399</u>
Total U.S. Dept. of Transportation - Federal Aviation Administration				<u>2,089,399</u>
U.S. Department of Homeland Security				
<i>Pass-through from:</i>				
Texas Office of the Governor				
Homeland Security Grant Program	97.067	2940201	-	15,586
Homeland Security Grant Program	97.067	2940202	-	15,516
Total CFDA No 97.067				<u>31,102</u>
Total Texas Office of the Governor				<u>31,102</u>
Environmental Protection Agency				
<i>Pass-through from:</i>				
Texas Water Development Board				
Capitalization Grants for Drinking Water - State Revolving Fund	66.458	L1000431	-	10,323,907
Total Environmental Protection Agency				<u>10,323,907</u>
Institute of Museum and Library Services				
<i>Pass-through from:</i>				
Texas State Library and Archives Commission				
Grants to States	45.310	-	-	36,299
Total Institute of Museum and Library Services				<u>36,299</u>
Department of Education				
<i>Pass-through from:</i>				
Texas State Library and Archives Commission				
Adult Education - Basic Grants to State	84.002	481-17014	-	3,275
Total Department of Education				<u>3,275</u>
Total Expenditures of Federal Awards			<u>\$ 491,988</u>	<u>\$ 34,857,133</u>
STATE AWARDS				State Expenditures
Texas Department of Transportation				
Routine Airport Maintenance Program (RAMP)	N/A	M1704AMRI	-	\$ 25,692
Transit Operating Assistance	N/A	MO #114611	-	384,464
Total Texas Department of Transportation				<u>410,156</u>
Texas Department of State Health Services				
TB/PC-State	N/A	537-18-0027-00001	-	8,364
TB/PC-State	N/A	2016-001396-01	-	43,088
Total TB/PC-State				<u>51,452</u>
HIV PrevS	N/A	2016-001198-00	-	33,697
HIV PrevS	N/A	2016-001198-02	-	174,147
Total HIV PrevS				<u>207,844</u>
RLSS/LPHS	N/A	537-18-0183-00001	-	2,532
RLSS/LPHS	N/A	2016-000021-00	-	57,451
Total RLSS/LPHS				<u>59,983</u>
IDCU/SUREB	N/A	2016-003827-00	-	84,408
IDCU/SUREB	N/A	537-18-0308-00001	-	6,628
Total IDCU/SUREB				<u>91,036</u>
Immunization Branch-Locals	N/A	537-18-0070-00001	-	13,784
Immunization Branch-Locals	N/A	2016-001037-01	-	134,085
Total Immunization Branch-Locals				<u>147,869</u>
Total Texas Department of State Health Services				<u>558,184</u>
Texas State Library and Archives Commission				
Family Place Library Grant	N/A	306-17-8029	-	6,000
Total Texas State Library and Archives Commission				<u>6,000</u>

CITY OF AMARILLO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS, CONTINUED
Year Ended September 30, 2017

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Pass-through To Subrecipients	Federal Expenditures
<u>STATE AWARDS</u>				<u>State Expenditures</u>
Texas A&M Forest Service				
Texas Intrastate Fire Mutual Aid System Grant Assistance Program	N/A	-	-	285,886
Total Texas A&M Forest Service				<u>285,886</u>
Texas Commission on Environmental Quality				
<i>Pass-through from:</i>				
Panhandle Regional Planning Commission			-	9,703
Total Texas Commission on Environmental Quality	N/A	-		<u>9,703</u>
Total Expenditures of State Awards			\$ -	\$ 1,269,929
Total Expenditures of Federal and State Awards			\$ 491,988	\$ 36,127,062

*Clustered program required by 2017 Compliance Supplement

CITY OF AMARILLO, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended September 30, 2017

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal and State Awards (the Schedule) presents the activity of all federal and state Awards programs of the City of Amarillo, Texas, (the City) for the year ended September 30, 2017. The City's reporting entity is defined in the Summary of Significant Accounting Policies to the City's financial statements. Federal and state financial assistance received directly from federal and state agencies, as well as assistance passed through other government agencies, is included on the Schedule. The City did not elect to use the 10% de minimis indirect cost rate.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying Schedule is presented using the modified accrual basis of accounting, which is described in the Summary of Significant Accounting Policies to the City's financial statements.

NOTE 3 - RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying Schedule agree with the amounts reported in the related federal and state financial reports considering timing differences of cash receipts.

NOTE 4 - FEDERAL AND STATE PROGRAMS

The City participates in numerous federal and state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required.

NOTE 5 - NONCASH GRANTS

The City received vaccines from the Texas Department of State Health Services, Immunization Division (CFDA Number 93.268), for distribution to "Texas Health Step" providers. It continues to receive vaccines from the Division for usage in its own public health facilities. As the City does not purchase these vaccines, the value of the vaccines received by the City during the fiscal year ended September 30, 2017, has been computed to be \$872,731 based on information supplied by the City Department of Public Health. This amount is included in the accompanying Schedule of Expenditures of Federal and State Awards.

CITY OF AMARILLO, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended September 30, 2017

NOTE 6 - SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the City provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amounts Provided to Subrecipients</u>
Community Development Block Grant	14.218	\$ 201,655
Emergency Shelter Grants Program	14.231	108,624
Edward Byrne Memorial Justice Assistance Grant	16.738	52,609
Home Investment Partnership Program	14.239	<u>129,100</u>
		<u>\$ 491,988</u>

NOTE 7 - OUTSTANDING LOAN BALANCES

The City has an outstanding loan payable under the Drinking Water State Revolving Loan Fund from the Texas Water Development Board, as a pass-through agency for the Environmental Protection Agency (CFDA 66.458). There are no longer continuing compliance requirements for the Series 2009C loan, while the Series 2015 are currently subject to single audit requirements. As of September 30, 2017, the outstanding loan balances were:

TWDB Series 2009C	\$ 11,765,000
TWDB Series 2009C – due within one year	<u>905,000</u>
Series 2009C – Total	<u>\$ 12,670,000</u>
TWDB Series 2015	\$ 14,675,000
TWDB Series 2015 – due within one year	<u>815,000</u>
Series 2015 – Total	<u>\$ 15,490,000</u>

This information is an integral part of the accompanying schedule.

**CITY OF AMARILLO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2017**

SECTION I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiencies identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal and State Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiencies identified? X yes 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 2 CFR 200.516(a)? X yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal or State Program or Cluster</u>
Major Federal Programs	
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
14.239	Home Investment Partnership Program
20.205	Highway Planning and Construction
	Federal Transit Cluster
20.507	Federal Transit Formula Grants
20.526	Bus and Bus Facilities Program
93.268	Immunization Grants
Major State Programs	
<u> N/A </u>	Transit Operating Assistance

Dollar threshold used to distinguish between type A and type B programs: \$ 1,045,714 Federal
 \$ 300,000 State

- Auditee qualified as Federal low-risk auditee? X yes no
- Auditee qualified as State low-risk auditee? X yes no

CITY OF AMARILLO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended September 30, 2017

SECTION II – Financial Statement Findings

None

SECTION III—Major Federal Award Findings and Questioned Costs – Major Federal and State Programs

Finding 2017-001

Program: Federal Program #10.557, Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

Program Requirement: Per the Audit Guidance, Section H – Period of Performance – Part 3.2 – Awards Made/Changed on or after December 26, 2014 Compliance Requirements– states that a non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity (2 CFR section 200.309)

Criteria: The City is responsible for complying with program guidelines.

Condition: The City's WIC program had two expenditures that were not in the programs period of performance.

(1) An invoice with a balance due of \$130 from June 19, 2016 was not paid until October 2016. The period of performance for the WIC grant is October 1, 2016 through September 30, 2017. The invoice for FY 2015-2016 expenditure was not accrued during the prior year end close.

(2) A credit card charge of \$535.30 for tuition was paid on September 29, 2017, for a class that didn't begin until October 16, 2017. The period of performance for the WIC grant is October 1, 2016 through September 30, 2017. The FY 2017-2018 expenditure was recorded in the CY grant period in error.

Questioned Costs: (1) \$130.00

(2) \$535.50

CITY OF AMARILLO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended September 30, 2017

SECTION III—Major Federal Award Findings and Questioned Costs Major Federal and State Programs (Continued)

Finding 2017-001 (Continued)

Context: (1) One deviation was discovered from a sample of 68 expenditures tested.

(2) One deviation was discovered from a sample of 44 expenditures tested.

Effect: Usage of current year grant funds to pay prior year and subsequent year expenditures.

Repeat Finding: No

Recommendation: The City should pay each invoice as it is received and review year end payables for grant invoices that need to be accrued or prepaid.

Views of Responsible Officials: The City agrees with the recommendation.

(1) Laura Storrs, Director of Finance, on July 12, 2017 – Funds will be paid from the General Fund.

(2) Laura Storrs, Director of Finance, on November 10, 2017 – The expense will be moved to prepaid.

**CITY OF AMARILLO, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended September 30, 2017**

SECTION II – Financial Statement Findings

None

SECTION III – Federal and State Award Findings and Questioned Costs – Major Federal and State Programs

Finding 2016-001

Program: Federal Program – 14.218 Community Development Block Grant

Condition: The City exceeded the administrative CAP by \$2,578.98 which is more than the 20% that is obligated for activities that qualify as planning and administration.

Recommendation: The City should reconcile the administrative draws on a monthly basis to monitor the 20% administrative CAP threshold to prevent exceeding the CAP.

Current Status: Corrective Action was implemented. See the City's Summary Schedule of Prior Audit Findings on page 18.

**CITY OF AMARILLO, TEXAS
SCHEDULE OF CORRECTIVE ACTION PLAN
Year Ended September 30, 2017**

Finding 2017-001

Condition: The City's WIC program had two expenditures that were not in the programs period of performance.

(1) An invoice with a balance due of \$130 from June 19, 2016 was not paid until October 2016. The period of performance for the WIC grant is October 1, 2016 through September 30, 2017. The invoice for FY 2015-2016 expenditure was not accrued during the prior year end close.

(2) A credit card charge of \$535.30 for tuition was paid on September 29, 2017, for a class that didn't begin until October 16, 2017. The period of performance for the WIC grant is October 1, 2016 through September 30, 2017. The FY 2017-2018 expenditure was recorded in the CY grant period in error.

Corrective Action Plan:

See the City's Corrective Action Plan on page 17.



Corrective Action Plan for the Year Ended September 30, 2017

2017-001

Federal Program #10.557, Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

Contact Person: Laura Storrs, Director of Finance

Anticipated Completion Date: September 30, 2018

Recommendation: The City should pay each invoice as it is received and review year end payables for grant invoices that need to be accrued or prepaid.

Corrective Action Planned: Management will incorporate changes to the accrual/deferral process and procedures of expenditures to provide proper cut-off of transactions. Grant departments are responsible for entering expenditures into the City's accounting system using the correct general ledger date with final review occurring in the Accounting department. Management will reiterate this responsibility to the grant departments and the Accounting department will modify year-end communications to ensure that grant departments monitor expenditure invoice/service dates at the end and beginning of grant contracts and the City's fiscal year. Furthermore, Accounting will increase the review process of invoice/service dates on expenditures at the end of the City's fiscal year and grant contract periods. Management will periodically review these procedures to ensure that such processes and procedures are adequate to ensure proper cut-off of expenditures at each grant and fiscal-year end.



**City of Amarillo, Texas
Summary schedule of prior audit finding
Year ended September 30, 2017**

Status of prior audit finding

2016-001

14.218 Community Development Block Grant

Status: Corrected

**Independent Auditor's Report on Compliance with
Requirements Applicable to the Passenger Facility Charge
Program and on Internal Control Over Compliance in Accordance
with the Passenger Facility Charge Audit Guide**

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

Report on Compliance for Passenger Facility Charge Program

We have audited the City of Amarillo, Texas (the City) compliance with the types of compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies issued by the Federal Aviation Administration (the Guide) that could have a direct and material effect on the City's passenger facility charge program for the year ended September 30, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its passenger facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of the City's passenger facility charge program based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program. 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 passenger facility charge program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Passenger Facility Charge Program

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 the passenger facility charge 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 Guide. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the Guide that could have a direct and material effect on the City's passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the passenger facility charge program and to test and report on internal control over compliance in accordance with the Guide, 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 the Guide 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 the Guide 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 the Guide 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.

Report on Schedule of Passenger Facility Charges Collected and Expended

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, 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 27, 2018, which contained unmodified opinions 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 passenger facility charges collected and expended for the year ended September 30, 2017, is presented for purposes of additional analysis as required by the Federal Aviation Administration and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of passenger facility charges collected and expended is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 Guide. Accordingly, this report is not suitable for any other purpose.

Connor McMillon Mitchell : *Shunnum PLLC*

Amarillo, Texas
February 27, 2018

**CITY OF AMARILLO, TEXAS
 AMARILLO RICK HUSBAND INTERNATIONAL AIRPORT
 SCHEDULE OF PASSENGER FACILITY CHARGES (PFCs)
 COLLECTED AND EXPENDED (AS REPORTED TO FAA)
 Year Ended September 30, 2017**

	<u>Quarter ended December 31, 2016</u>	<u>Quarter ended March 31, 2017</u>	<u>Quarter ended June 30, 2017</u>	<u>Quarter ended September 30, 2017</u>	<u>Year ended September 30, 2017</u>	<u>Cumulative totals as of September 30, 2016</u>	<u>Cumulative totals as of September 30, 2017</u>
Collections							
PFCs collected	\$ 281,685	\$ 289,593	\$ 333,942	\$ 318,674	\$ 1,223,894	\$ 11,454,194	\$ 12,678,088
Interest	103	252	268	143	766	20,330	21,096
Total Collections	<u>\$ 281,788</u>	<u>\$ 289,845</u>	<u>\$ 334,210</u>	<u>\$ 318,817</u>	<u>\$ 1,224,660</u>	<u>\$ 11,474,524</u>	<u>\$ 12,699,184</u>
Expenditures on approved PFC projects included in:							
Project 08-01-C-00-AMA Terminal Construction	\$ -	\$ -	\$ 844,938	\$ 322,238	\$ 1,167,176	\$ 11,384,526	\$ 12,551,702
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 844,938</u>	<u>\$ 322,238</u>	<u>\$ 1,167,176</u>	<u>\$ 11,384,526</u>	<u>\$ 12,551,702</u>

See accompanying notes to schedule of passenger facility charges collected and expended

CITY OF AMARILLO, TEXAS
NOTES TO SCHEDULE OF PASSENGER FACILITY
CHARGES COLLECTED AND EXPENDED
Year Ended September 30, 2017

NOTE 1 - GENERAL

The accompanying Schedule of Passenger Facility Charges Collected and Expended presents the activity of all passenger facility charges of the City of Amarillo, Texas.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying Schedule of Passenger Facility Charges Collected and Expended is presented using the cash basis of accounting.

This information is an integral part of the accompanying schedule.

**CITY OF AMARILLO, TEXAS
PASSENGER FACILITY CHARGE PROGRAM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2017**

Financial Statement Findings

None

Findings and Questioned Costs

None

**CITY OF AMARILLO, TEXAS
PASSENGER FACILITY CHARGE PROGRAM
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended September 30, 2017**

Findings and Questioned Costs

None

**CITY OF AMARILLO, TEXAS
PASSENGER FACILITY CHARGE PROGRAM
SCHEDULE OF CORRECTIVE ACTION PLAN
Year Ended September 30, 2017**

None