

CITY OF AMARILLO, TEXAS

**SINGLE AUDIT –
FEDERAL AND STATE AWARDS
SUPPLEMENTARY FINANCIAL REPORT**
Year Ended September 30, 2018

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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, 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 February 26, 2019.

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 McMullon Mitchell & Shennum PLLC

Amarillo, Texas
February 26, 2019

**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, 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 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, 2018.

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 2018-001. 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 2018-001, 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 26, 2019, 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 & Sherman P.C.

Amarillo, Texas
February 26, 2019

CITY OF AMARILLO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended September 30, 2018

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	\$ -	\$ 1,280,191
Texas Department of Agriculture Summer Food Service Program (SFSP)	10.559	01526	-	357,361
Farmers' Market Nutrition Program (FMNP) Total U.S. Department of Agriculture	10.572	01526	-	98,077
				<u>1,735,629</u>
Texas A&M Forest Service Community Wildfire Protection Plan Total A&M Forest Service	10.664	E804404	-	5,000
				<u>5,000</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	-	144,398
				<u>144,398</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	17TX-EMPG-1108	-	52,737
				<u>52,737</u>
U.S. Department of Health and Human Services				
<i>Pass-through from:</i>				
Texas Department of State Health Services Immunization Division - Locals	93.268	537-18-0070-00001	-	102,121
Immunization Division - Locals	93.268	HHS000119700003	-	24,138
Immunization Division - Noncash Total CFDA No. 93.268	93.268	2017-001037-01	-	740,226
				<u>866,485</u>
PPCPS/Hazards	93.074	537-18-0125-00001	-	60,595
PPCPS/Hazards Total CFDA No. 93.074	93.074	537-18-0125-00001	-	196,290
				<u>256,885</u>
Tuberculosis Prevention and Control and Laboratory Program	93.116	2016-001380-01	-	1,998
Tuberculosis Prevention and Control and Laboratory Program Total CFDA No 93.116	93.116	HHS000046600001	-	42,604
				<u>44,602</u>
RLSS/LPHS Total CFDA No 93.758	93.758	537-18-0183-00001	-	91,775
				<u>91,775</u>
Healthy Texas Babies Grant Program Total CFDA No 93.994	93.994	HHS000093000001	-	21,956
				<u>21,956</u>
U.S. Committee for Refugees & Immigrants Refugee Medical Screening Total U.S. Department of Health and Human Services	93.566	2017-AMATX-01	-	229,007
				<u>1,510,710</u>
U.S. Department of Housing & Urban Development				
<i>Direct:</i>				
Supportive Housing for Persons with Disabilities (5 Yr Mainstream)	14.181	-	-	281,433
Family Self-Sufficiency Program	14.896	-	-	17,235
Family Self-Sufficiency Program Total CFDA No 14.896	14.896	-	-	11,255
				<u>28,490</u>
Community Development Block Grant/Entitlement Grants - 2017	14.218	-	-	844,038
<i>Subrecipients:</i>				
The Salvation Army		-	4,292	-
Catholic Charities of the Texas Panhandle		-	24,556	-
Panhandle Workforce Development Board d.b.a. Workforce Solutions Panhandle		-	67,112	-
Panhandle Regional Planning Commission		-	18,556	-
Guyon Saunders Resource Center		-	23,555	-
Amarillo Wesley Community Center, Inc.		-	80,556	-
Amarillo Activity Youth Center		-	27,000	-
Maverick Boys and Girls Club of Amarillo		-	46,781	-
The Salvation Army		-	2,989	-
Community Development Block Grant/Entitlement Grants - 2016	14.218	-	-	687,427
Community Development Block Grant/Entitlement Grants - 2015	14.218	-	-	10,444
Community Development Block Grant/Entitlement Grants - 2014 Total CFDA No 14.218	14.218	-	-	41,330
				<u>1,583,239</u>

CITY OF AMARILLO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS, CONTINUED
Year Ended September 30, 2018

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 - 2017	14.239	-	-	107,971
<i>Subrecipients:</i>				
Amarillo Habitat for Humanity			56,972	-
Home Investment Partnership Program - 2016	14.239	-	-	121,575
<i>Subrecipients:</i>				
Amarillo Habitat for Humanity			82,500	-
Home Investment Partnership Program - 2015	14.239	-	-	19,158
<i>Subrecipients:</i>				
Amarillo Habitat for Humanity			19,158	-
Home Investment Partnership Program - 2014	14.239	-	-	2,392
Total CFDA No 14.239				<u>251,096</u>
Continuum of Care Program-Permanent Housing (Shelter Plus Care)	14.267	-	-	168,770
Continuum of Care Program-Permanent Housing (Shelter Plus Care)	14.267	-	-	20,460
Total CFDA No 14.267				<u>189,230</u>
Section 8 Housing Choice Vouchers	14.871	-	-	8,914,706
Total Direct				<u>11,248,194</u>
<i>Pass-through from:</i>				
Texas Department of Housing and Community Affairs				
Emergency Shelter Grants Program	14.231	42170002812	-	289,624
Emergency Shelter Grants Program	14.231	42160002542	-	8,475
<i>Subrecipients:</i>				
Family Support Services			12,885	-
The Salvation Army			92,192	-
Guyon Saunders Resource Center			25,000	-
Total Pass-through				<u>298,099</u>
Total U.S. Department of Housing & Urban Development				<u>11,546,293</u>
U.S. Department of Justice				
<i>Direct:</i>				
Edward Byrne Memorial Justice Assistance Grant - FY14	16.738	-	-	42,351
Edward Byrne Memorial Justice Assistance Grant- FY15	16.738	-	-	50,661
				<u>93,012</u>
Equitable Sharing Program	16.922	-	-	222,719
<i>Pass-through from:</i>				
Family Support Services				
Crime Victim Assistance-DVHRTC	16.575	-	-	27,468
Total U.S. Department of Justice				<u>343,199</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	-	7,952
Unified Planning Work Program (5303)	20.205	50-17XF0012	-	307,760
STEP-STEP Comprehensive	20.600	2018-Amarillo-S-1YG-0031	-	147,039
Click It or Ticket STEP - Memorial Day Holiday	20.616	2018 AmarilloPD-CIOT-00020	-	10,564
Total U.S. Department of Transportation				<u>473,315</u>
U.S. Department of Transportation - Federal Transit Administration				
<i>Direct:</i>				
Federal Transit Administration FY2010 Capital & Operations	20.507*	-	-	47,966
Federal Transit Administration FY2013	20.507*	-	-	62,876
Federal Transit Administration FY2016	20.507*	-	-	855,822
Federal Transit Administration FY2017	20.507*	-	-	1,901,108
Total CFDA No. 20.507				<u>2,867,772</u>
Total U.S. Department of Transportation - Federal Transit Administration				<u>2,867,772</u>

CITY OF AMARILLO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS, CONTINUED
Year Ended September 30, 2018

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	-	-	84,734
Airport Improvement Program - 2015-39	20.106	-	-	47,547
Airport Improvement Program - 2016-40	20.106	-	-	154,602
Airport Improvement Program - 2016-41	20.106	-	-	43,334
Airport Improvement Program - 2017-42	20.106	-	-	2,860,536
Total CFDA No. 20.106				<u>3,190,753</u>
Small Community Air Service Development Program	20.930	-		539,289
Total CFDA No. 20.930				<u>539,289</u>
Total U.S. Dept. of Transportation - Federal Aviation Administration				<u>3,730,042</u>
U.S. Department of Homeland Security				
<i>Pass-through from:</i>				
Texas Office of the Governor				
Homeland Security Grant Program	97.067	3380801	-	86,144
Homeland Security Grant Program	97.067	3385901	-	5,843
Homeland Security Grant Program	97.067	2940602	-	90,015
Homeland Security Grant Program	97.067	3379801	-	15,092
Total CFDA No 97.067				<u>197,094</u>
Federal Emergency Management Agency	97.044	EMW-2016-F0-06935		11,349
Total Texas Office of the Governor				<u>208,443</u>
Environmental Protection Agency				
<i>Pass-through from:</i>				
Texas Water Development Board				
Capitalization Grants for Drinking Water - State Revolving Fund	66.458	L1000431	-	1,699,476
Total Environmental Protection Agency				<u>1,699,476</u>
Institute of Museum and Library Services				
<i>Pass-through from:</i>				
Texas State Library and Archives Commission				
Grants to States	45.310	-	-	53,977
Total Institute of Museum and Library Services				<u>53,977</u>
U.S. Food and Drug Administration				
<i>Pass-through from:</i>				
Association of Food and Drug Officials				
Self-Assessment of All Nine Standards				
Adult Education - Basic Grants to State	93.103	G-SP-1611-03520	-	2,500
Total Department of Education				<u>2,500</u>
Total Expenditures of Federal Awards			<u>\$ 584,104</u>	<u>\$ 24,373,491</u>
<u>STATE AWARDS</u>				State Expenditures
Texas Department of Transportation				
Routine Airport Maintenance Program (RAMP)	N/A	M1804AMRI	-	\$ 49,274
Transit Operating Assistance	N/A	MO #114611	-	529,210
Transit Capital Improvement	N/A	TXDOT 5339-U-2016	-	85,836
Total Texas Department of Transportation				<u>664,320</u>
Texas Department of State Health Services				
TB/PC-State	N/A	537-18-0027-00001	-	41,823
TB/PC-State	N/A	537-18-0027-00001	-	6,779
Total TB/PC-State				<u>48,602</u>
HIV PrevS	N/A	2016-001198C	-	152,255
HIV PrevS	N/A	2016-001198-02	-	36,103
Total HIV PrevS				<u>188,358</u>
RLSS/LPHS	N/A	537-18-0183-00001	-	12,244
RLSS/LPHS	N/A	2016-000021-00	-	5,821
Total RLSS/LPHS				<u>18,065</u>
Hansens/HS Grant Program	N/A	HHS000061800001	-	8,334
Total Hansens/HS				<u>8,334</u>
IDCU/SUREB	N/A	537-18-0308-00001	-	84,575
Total IDC/SUREB				<u>84,575</u>

CITY OF AMARILLO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS, CONTINUED
Year Ended September 30, 2018

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Pass-through To Subrecipients</u>	<u>Federal Expenditures</u>
STATE AWARDS (CONTINUED)				State Expenditures
Immunization Branch-Locals	N/A	2016-001037-01	-	120,065
Total Immunization Branch-Locals				120,065
Total Texas Department of State Health Services				467,999
Texas A&M Forest Service				
Texas Intrastate Fire Mutual Aid System Grant Assistance Program	N/A	-	-	4,080
Total Texas A&M Forest Service				4,080
Total Expenditures of State Awards			\$ -	\$ 1,136,399
Total Expenditures of Federal and State Awards			\$ 584,104	\$ 25,509,890

CITY OF AMARILLO, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended September 30, 2018

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, 2018. 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, 2018, has been computed to be \$740,226 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, 2018

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	\$ 295,397
Emergency Shelter Grants Program	14.231	130,077
Home Investment Partnership Program	14.239	<u>158,630</u>
		<u>\$ 584,104</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, 2018, the outstanding loan balances were:

TWDB Series 2009C	\$ 905,000
TWDB Series 2009C – due within one year	<u>10,860,000</u>
Series 2009C – Total	<u>\$ 11,765,000</u>
TWDB Series 2015	\$ 815,000
TWDB Series 2015 – due within one year	<u>13,860,000</u>
Series 2015 – Total	<u>\$ 14,675,000</u>

This information is an integral part of the accompanying schedule.

CITY OF AMARILLO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended September 30, 2018

SECTION II – Financial Statement Findings

None

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

Finding 2018-001

Program: Federal Program #14.871, Housing Choice Voucher Program

Program Requirement: Per the Audit Guidance, Section N – Special Tests and Provisions – Part 3.2 – Awards Made/Changed on or After December 26, 2014 Compliance Requirements, Housing Quality Standard (HQS) Enforcement – states that for units under Housing Assistance Payments (HAP) contract that fail to meet HQS, the PHA must require the owner to correct any life threatening HQS deficiencies within 24 hours after the inspections and all other HQS deficiencies within 30 calendar days or within a specified PHA-approved extension. If the owner does not correct the cited HQS deficiencies within the specified correction period, the PHA must stop (abate) HAPs beginning no later than the first of the month following the specified correction period or must terminate the HAP contract. The owner is not responsible for a breach of HQS as a result of the family's failure to pay for utilities for which the family is responsible under the lease or for tenant damage. For family-caused defects, if the family does not correct the cited HQS deficiencies within the specified correction period, the PHA must take prompt and vigorous action to enforce the family obligations (24 CFR sections 982.158(d) and 982.404).

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

Condition: Number (1) - Per test work of 60 HAP expenditures (rental assistance), 1 HQS deficiency was completed after the 30-calendar day period (resulting in completion 5 days late), without any specified PHA-approved extension and no lease abatement to the landlord.

Number (2) - Per test work of 60 HAP expenditures, 1 HQS inspection was not performed during the previous year. The last inspection was performed on 1/13/17.

CITY OF AMARILLO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended September 30, 2018

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

Finding 2018-001 (Continued)

Questioned Costs: Number (1) – Abatement of \$95.83 should have been made for the first 5 days of April 2018.

 Number (2) – Not applicable

Context: Number (1) - One deviation was discovered from a sample of 60 expenditures tested.

 Number (2) – One deviation was discovered from a sample of 60 expenditures tested.

Effect: Number (1) grant funds were expended for rental assistance payments which should have been abated for the number of days that deficiencies were completed after the 30-calendar day deadline.

 Number (2) grant funds could be expended for rental assistance payments on a property that may not meet the HQS requirements.

Repeat Finding: No

Recommendation: Training of grant requirements with emphasis in HQS requirements.

CITY OF AMARILLO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended September 30, 2018

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

Finding 2018-001 (Continued)

Views of Responsible
Officials:

City of Amarillo, Director of Community Development

- The City has reviewed and understands the 30-calendar day requirement. The City will review existing procedures to ensure compliance.
- The City promptly performed an HQS inspection of the property on December 17, 2018. The property passed inspection. The City considers this to be an isolated incident, but will review procedures to ensure that all properties are inspected annually.

**CITY OF AMARILLO, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended September 30, 2018**

SECTION II – Financial Statement Findings

None

SECTION III – Federal and State 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)

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

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.

Current Status: Corrective action was implemented. See the City's Summary Schedule of Prior Audit Findings on page 19.

**CITY OF AMARILLO, TEXAS
SCHEDULE OF CORRECTIVE ACTION PLAN
Year Ended September 30, 2018**

Finding 2018-001

Condition: Number (1) - Per test work of 60 HAP expenditures (rental assistance), 1 HQS deficiency was completed after the 30-calendar day period (resulting in completion 5 days late), without any specified PHA-approved extension and no lease abatement to the landlord.

Number (2) - Per test work of 60 HAP expenditures, 1 HQS inspection was not performed during the previous year. The last inspection was performed on 1/13/17.

*Corrective Action
Plan:*

See the City's Corrective Action Plan on page 18.



Corrective Action Plan for the Year Ended September 30, 2018

Federal Program: 14.871 Housing Choice Voucher Program

Finding 2018-001

Number (1) - Per test work of 60 HAP expenditures (rental assistance), 1 HQS deficiency was completed after the 30-calendar day period (resulting in completion 5 days late), without any specified PHA-approved extension and no lease abatement to the landlord.

Number (2) - Per test work of 60 HAP expenditures, 1 HQS inspection was not performed during the previous year. The last inspection was performed on 1/13/17.

Contact Person: Laura Storrs, Director of Finance

Anticipated Completion

Date: September 30, 2019

Recommendation: Training of grant requirements with emphasis in HQS requirements.

**Corrective Action
Planned:**

- The City has reviewed and understands the 30-calendar day requirement. The City will review existing procedures to ensure compliance.
- The City promptly performed an HQS inspection of the property on December 17, 2018. The property passed inspection. The City considers this to be an isolated incident, but will review procedures to ensure that all properties are inspected annually.



**City of Amarillo, Texas
Summary schedule of prior audit finding
Year ended September 30, 2018**

Status of prior audit finding

2017-001

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

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, 2018.

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, 2018.

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 26, 2019, 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, 2018, 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 & Stennum PLLC

Amarillo, Texas
February 26, 2019

**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, 2018**

	<u>Quarter ended December 31, 2017</u>	<u>Quarter ended March 31, 2018</u>	<u>Quarter ended June 30, 2018</u>	<u>Quarter ended September 30, 2018</u>	<u>Year ended September 30, 2018</u>	<u>Cumulative totals as of September 30, 2017</u>	<u>Cumulative totals as of September 30, 2018</u>
Collections							
PFCs collected	\$ 276,132	\$ 334,691	\$ 348,443	\$ 347,342	\$ 1,306,608	\$ 12,678,088	\$ 13,984,696
Interest	300	464	284	473	1,521	21,096	22,617
Total Collections	<u>\$ 276,432</u>	<u>\$ 335,155</u>	<u>\$ 348,727</u>	<u>\$ 347,815</u>	<u>\$ 1,308,129</u>	<u>\$ 12,699,184</u>	<u>\$ 14,007,313</u>
Expenditures on approved PFC projects included in:							
Project 08-01-C-00-AMA Terminal Construction	\$ -	\$ 635,638	\$ -	\$ 769,718	\$ 1,405,356	\$ 12,551,702	\$ 13,957,058
Total Expenditures	<u>\$ -</u>	<u>\$ 635,638</u>	<u>\$ -</u>	<u>\$ 769,718</u>	<u>\$ 1,405,356</u>	<u>\$ 12,551,702</u>	<u>\$ 13,957,058</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, 2018

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, 2018**

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, 2018**

Findings and Questioned Costs

None

**CITY OF AMARILLO, TEXAS
PASSENGER FACILITY CHARGE PROGRAM
SCHEDULE OF CORRECTIVE ACTION PLAN
Year Ended September 30, 2018**

None