



City of San Marcos, Texas

Single Audit Report

For The Fiscal Year Ended
September 30, 2018



Prepared by:
City of San Marcos
Finance Department

SAN MARCOS

CITY OF SAN MARCOS, TEXAS

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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

Honorable Members of City Council
City of San Marcos, 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 San Marcos, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of San Marcos, Texas' basic financial statements, and have issued our report thereon dated March 5, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of San Marcos, Texas' 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 of San Marcos, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of San Marcos, Texas' 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of San Marcos, Texas' 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.

ABIP, PC

San Antonio, Texas
March 5, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Members of City Council
City of San Marcos, Texas

Report on Compliance for Each Major Federal Program

We have audited the City of San Marcos, Texas' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of San Marcos, Texas' major federal programs for the year ended September 30, 2018. The City of San Marcos, Texas' major federal 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 awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of San Marcos, Texas' major federal 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of San Marcos, Texas' 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 program. However, our audit does not provide a legal determination of the City of San Marcos, Texas' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of San Marcos, Texas 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 programs for the year ended September 30, 2018.

Report on Internal Control Over Compliance

Management of the City of San Marcos, Texas 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 of San Marcos, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal 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 program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of San Marcos, Texas' internal control over compliance.

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of San Marcos, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise City of San Marcos, Texas' basic financial statements. We issued our report thereon dated March 5, 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 awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the

basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

ABIP, PC

San Antonio, Texas
March 5, 2019

CITY OF SAN MARCOS, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2018

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANTOR'S PASS-THROUGH NUMBER	FEDERAL EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
<u>U.S. Department of Agriculture</u>				
Passed through the Texas Department of State Health Services:				
Women, Infants and Children (WIC Project)	10.557	2017-049738	\$ 1,581,731	\$ -
Total Passed through the Texas Department of State Health Services			<u>1,581,731</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>1,581,731</u>	<u>-</u>
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs:				
Community Development Block Grant DR Grant Program	14.218	B-16-MH-48-0002	1,416,865	-
Community Development Block Grant Entitlement Program	14.218	B-17-MC-48-0513	559,967	367,544
Community Development Block Grant Entitlement Program	14.218	B-16-MC-48-0513	182,813	175,559
Community Development Block Grant Entitlement Program	14.218	B-15-MC-48-0513	48,228	-
Community Development Block Grant Entitlement Program	14.218	B-14-MC-48-0513	<u>150,566</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>2,358,439</u>	<u>543,103</u>
<u>U.S. Department of Justice</u>				
Direct Programs:				
Bulletproof Vest Partnership Grant	16.607	2017-BUBX-17088384	10,131	-
Justice & Mental Health Collaboration Program	16.738	2014-MO-BX-0036	<u>617</u>	<u>-</u>
Total U.S. Department of Justice Direct Programs			<u>10,748</u>	<u>-</u>
Passed through the Texas Office of the Governor:				
Victims Assistance Program	16.575	3338501	60,941	-
Edward Byrne Memorial Justice Assistance	16.738	3325901	<u>16,852</u>	<u>-</u>
Total Passed through Texas Office of the Governor			<u>77,793</u>	<u>-</u>
Total U.S. Department of Justice			<u>88,541</u>	<u>-</u>
<u>U.S. Department of Transportation</u>				
Passed through the Texas Department of Transportation				
Highway Planning and Construction - Sessom Drive Intersection Improvement	20.205	CSJ 0914-33-032	191,497	-
Highway Planning and Construction - Hopkins Street Reconstruction	20.205	CSJ 0914-33-074	<u>143,304</u>	<u>-</u>
Total Passed through the Texas Department of Transportation			<u>334,801</u>	<u>-</u>
Total U.S. Department of Transportation			<u>334,801</u>	<u>-</u>
<u>Environmental Protection Agency</u>				
Passed through the Texas Water Development Board				
Clean Water State Revolving Funds - Blanco Riverine	66.458	L1000601	104,544	-
Total Passed through the Texas Water Development Board			<u>104,544</u>	<u>-</u>
Total Environmental Protection Agency			<u>104,544</u>	<u>-</u>

(CONTINUED)

CITY OF SAN MARCOS, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2018

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANTOR'S PASS-THROUGH NUMBER	FEDERAL EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
<u>U.S. Department of Homeland Security</u>				
Direct Program:				
Assistance to Firefighters	97.044	EMW-2016-FO-01687	\$ 332,179	\$ -
Total U.S. Department of Homeland Security Direct Programs			<u>332,179</u>	<u>-</u>
Passed through the Texas Office of the Governor:				
Hays County/San Marcos Hazmat Monitor Maitenance	97.067	2955003	11,000	-
Hazardous Materials AreaRAE Equipment	97.067	3305101	<u>63,172</u>	<u>-</u>
Total Passed through Texas Office of the Governor			<u>74,172</u>	<u>-</u>
Passed through the Texas Department of Public Safety:				
Texas Division of Emergency Management				
Disaster Grants - Public Assistance - Ring Park Trail	97.036	FEMA 4159 DR TX	2,419	-
Disaster Grants - Public Assistance - Blanco River Rd.	97.036	FEMA 4159 DR TX	1,125	-
Disaster Grants - Public Assistance - Oct 2015 Flood	97.036	FEMA 4245-PW358 DR TX	784	-
Emergency Management Performance Grant	97.042	EMT-2018-EP-00008	<u>32,865</u>	<u>-</u>
Total Passed through Texas Department of Public Safety			<u>37,193</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>443,544</u>	<u>-</u>
TOTAL FEDERAL AWARDS			<u>\$ 4,911,600</u>	<u>\$ 543,103</u>

CITY OF SAN MARCOS, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of San Marcos, Texas (the City), and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance.

NOTE 3: INDIRECT COST RATE

The City has not elected to use the 10% de minimis indirect cost rate.

CITY OF SAN MARCOS, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Summary of Auditors' Results

Financial Statements	
Type of auditors' report issued	Unmodified
Internal Control Over Financial Reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	None
Federal Awards:	
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	None
Identification of Major Programs:	
CFDA Number(s)	
#10.557	Women, Infants, and Children (WIC Project)
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

None

Findings and Questioned Costs for Major Federal Award Programs

None

CITY OF SAN MARCOS, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2018

None