

CITY OF STEPHENVILLE, TEXAS
SINGLE AUDIT REPORTS AND SCHEDULES
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2017

CITY OF STEPHENVILLE, TEXAS
Single Audit Reports and Schedules
Year Ended September 30, 2017
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RUTLEDGE CRAIN & COMPANY,PC
CERTIFIED PUBLIC ACCOUNTANTS

2401 Garden Park Court, Suite B
Arlington, Texas 76013

INDEPENDENT AUDITORS' 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 City Councilmembers
City of Stephenville
Stephenville, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Stephenville, 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 March 26, 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 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.

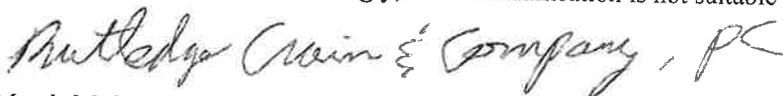
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



March 26, 2018

RUTLEDGE CRAIN & COMPANY,PC
CERTIFIED PUBLIC ACCOUNTANTS

2401 Garden Park Court, Suite B
Arlington, Texas 76013

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

The Honorable Mayor and City Councilmembers
City of Stephenville
Stephenville, Texas

Report on Compliance for Each Major Federal Program

We have audited City of Stephenville, Texas' (the "City") compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2017. The City's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's 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'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 program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs 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 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 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's internal control over compliance.

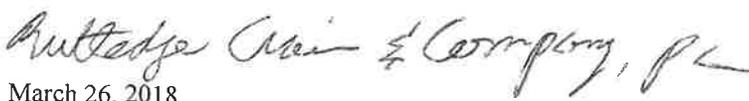
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal 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 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.

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,

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, the discretely presented component unit, 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 March 26, 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 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 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 awards is fairly stated in all material respects in relation to the basic financial statements as a whole.


March 26, 2018

CITY OF STEPHENVILLE, TEXAS
Schedule of Prior Audit Findings
September 30, 2017

Not applicable

CITY OF STEPHENVILLE, Texas
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2017

I. Summary of Auditors' Results

The auditors' report expresses an unmodified opinion on the financial statements.

No reportable conditions were disclosed during the audit of the financial statements.

No instances of noncompliance material to the financial statements of the City of Stephenville, Texas were disclosed during the audit.

No reportable conditions in the internal over major federal award programs were disclosed during the audit.

The auditors' report on compliance for the major federal award programs for City of Stephenville, Texas expresses an unmodified opinion on all major programs.

Audit findings are reported in accordance with the General Guidance.

The programs tested as major programs included:

Disaster Grants - Public Assistance (Presidentially Declared Disasters), CFDA 97.036

The threshold used to distinguish between Type A and Type B federal programs was \$750,000.

The City was not qualified as a low-risk auditee.

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

No findings to be reported.

III. Findings and Questioned Costs for Federal Awards

No findings to be reported.

Prior Year Financial Statement, Federal Award Findings and Questioned Costs

N/A

Corrective Action Plan

N/A

CITY OF STEPHENVILLE, TEXAS
Corrective Action Plan
September 30, 2017

Not applicable

CITY OF STEPHENVILLE, TEXAS
Schedule of Expenditures of Federal Awards
September 30, 2017

Federal Grant /Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Current Period Expenditures
Indirect Grants			
U. S. Dept. of Housing and Urban Development			
Passed Through Texas Department of Agriculture			
Community Development Block Grant Disaster Recovery			
West Oak Waterline Improvement Project			
Total U. S. Department of Housing and Urban Development			
	14.228	7216429	\$ 244,425
			<u>244,425</u>
U. S. Federal Aviation Administration			
Passed Through Texas Department of Transportation			
Airport Project Participation Agreement - Land Acquisition			
Airport Project Participation Agreement - Engineering Phase			
Airport Project Participation Agreement - Survey and Appraisal for Land Acquisition			
Total U. S. Federal Aviation Administration			
	20.106	CSJ 1702STEVE	1,311,055 #
	20.106	CSJ 1202STVLE	105,031 #
	20.106	CSJ 1702STVLE	-
			<u>1,416,086</u>
U. S. Department of Homeland Security			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)			
Total U. S. Department of Homeland Security			
	97.036	DR-4223-047	-
	97.039	DR-4266-047	-
	97.036	DR-4272-047	70,368
			<u>70,368</u>
Total Indirect Federal Grants			
			<u>1,730,879</u>
Total Federal Expenditures			<u>\$1,730,879</u>

Major programs

CITY OF STEPHENVILLE, TEXAS
Notes to Expenditures of Federal Awards
September 30, 2017

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the City of Stephenville, Texas (the "City"). The City's reporting entity is defined in Note 1 to the City's basic financial statements. All federal awards received directly by the primary government from federal agencies, as well as federal awards passed through other government agencies, are included in the scope of the Uniform Guidance and are included on the Expenditures of Federal Awards.

Basis of Accounting

The accompanying Schedules of Expenditures of Federal Awards are presented using the modified accrual basis of accounting for governmental funds, which are described in Note 1 of the City's Annual Financial Report. For grants that permitted inclusion indirect costs, the City did not make an election to use the 10% de minimis indirect cost rate.

B - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying Schedules of Expenditures of Federal Awards may not agree with the amounts reported in the related federal financial reports filed with grantor agencies because those reports are filed on the cash basis.

C – CONTINGENCIES

The City participates in several federal 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 and the collectability of any related receivable at September 30, 2017 may be impaired. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants.

D – PRIOR YEAR EXPENDITURES OF FEDERAL AWARDS

The City was not subject to *Government Audit Standards* during its fiscal year ended September 30, 2016. However, it did incur expenditures during that year for grants that were awarded subsequent to the date of the auditors' report. Following are those unaudited prior year amounts.

CITY OF STEPHENVILLE, TEXAS
Notes to Expenditures of Federal Awards
September 30, 2017

UNAUDITED			
Federal Grant /Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures FYE 9/30/2016
Indirect Grants			
U. S. Federal Aviation Administration			
Passed Through Texas Department of Transportation			
Airport Project Participation Agreement - Engineering Phase	20.106	CSJ 1202STVLE	\$ 43,248
Total U. S. Federal Aviation Administration			43,248
U. S. Department of Homeland Security			
Passed Through of the Governor, Department of Public Safety			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4223.047	\$ 139,388
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.039	DR-4266-047	48,725
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4272-047	115,783
Total U. S. Department of Homeland Security			303,895
Total Federal Grants			\$ 347,143