

CITY OF FRISCO, TEXAS
SINGLE AUDIT REPORT
September 30, 2013

CITY OF FRISCO, TEXAS
Frisco, 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**

To the Members of the City Council,
City of Frisco
Frisco, 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 Frisco (the "City") as of and for the year ended September 30, 2013, 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 24, 2014.

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

A handwritten signature in black ink that reads "Crowe Horwath LLP". The signature is written in a cursive, slightly slanted style.

Crowe Horwath LLP

Irving, Texas
February 24, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

To the Members of the City Council,
City of Frisco
Frisco, Texas

Report on Compliance for Each Major Federal Program

We have audited the City of Frisco's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2013. The City's 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2013.

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 OMB Circular A-133, 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 24, 2014 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 OMB Circular A-133 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Crowe Horwath LLP

Irving, Texas
February 24, 2014

CITY OF FRISCO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2013

<u>Federal grantor/pass-through grantor/program title</u>	<u>Federal CFDA Number</u>	<u>Pass-through entity identifying number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development::			
Direct Award:			
2011 Community Development Block Grant	14.218		\$ 45,232
2012 Community Development Block Grant	14.218		304,914
Total U.S. Department of Housing and Urban Development			<u>350,146</u>
U.S. Department of Justice:			
Passed through Office of Governor's Criminal Justice Division:			
2012-Domestic Violence & Sexual Assault Expansion	16.588	WF-11-V30-23598-02	3,470
2013 -Domestic Violence & Sexual Assault Investigation Expansion	16.588	WF-12-V30-23598-03	60,925
2013 -Victim Assistance Services Expansion	16.575	VA-11-V30-23800-03	28,618
2013 -Victim Assistance Outreach Program	16.575	VA-12-V30-25620-01	54,242
2014 -Victim Assistance Outreach Program	16.575	VA-13-V30-25620-02	3,643
2014 -Domestic Violence & Sexual Assault Investigation Expansion	16.588	WF-13-V30-26936-01	5,311
Total Passed-through Governor's Office of Criminal Justice Division			<u>156,209</u>
Direct Awards:			
Smart Policing Initiative	16.738		121,207
Bullet Proof Vest Grant	16.607		7,132
Total Direct Awards			<u>128,339</u>
Total U.S. Department of Justice			<u>284,548</u>
U.S. Department of Transportation:			
Passed Through Texas Department of Transportation:			
2013 Selective Traffic Enforcement Program (STEP) Comprehensive	20.600	2013-FriscoPD-S-1YG-0078	37,583
2013 STEP Click It or Ticket Mobilization	20.600	2013-FriscoPD-CIOT -00004	5,970
Phillips Creek Hike and Bike Trail	20.205	CSJ # 0918-46-260	2,256,501
Total U.S. Department of Transportation			<u>2,300,054</u>
U S Department of Homeland Security:			
Passed Through Texas Department of Public Safety:			
2011 - Homeland Security UASI - CCP	97.008	EMW-2011-SS-00019	859
2011 - Homeland Security UASI - Fire	97.067	EMW-2011-SS-00019	167,490
2011 - Homeland Security UASI - LETPA - Police	97.067	EMW-2011-SS-00019	44,865
2012 - Homeland Security UASI - Fire	97.008	EMW-2012-SS-00018-S01	68,425
2012 - Homeland Security UASI - LETPA - Police	97.008	EMW-2012-SS-00018-S01	123,282
Total Passed-through Texas Department of Public Safety			<u>404,921</u>
Direct Awards:			
2011 - Assistance to Firefighters	97.044		1,354
2012 - Assistance to Firefighters - Fire Prevention and Safety	97.044		41,600
Total Direct Awards			<u>42,954</u>
Total U. S Department of Homeland Security			<u>447,875</u>
Total Federal Expenditures			<u>\$ 3,382,623</u>

See Notes to Schedule of Expenditures of Federal Awards.

CITY OF FRISCO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Frisco, 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 *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Basis of Accounting:

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the City's financial statements.

NOTE 2 - SCHEDULE OF FINDINGS AND QUESTIONED COSTS

The Schedule of findings and questioned costs, including the summary of auditor's results is included on page seven.

NOTE 3 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Grant expenditures reports as of September 30, 2013, which have been submitted to grantor agencies will, in some cases, differ from amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of the year-end accruals. The reports will agree at termination of the grant as the discrepancies noted are timing differences.

CITY OF FRISCO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2013

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 deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal Control over major program:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None Reported

Type of auditor's report issued on compliance for major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? Yes X No

Identification of major program:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction – Phillips Creek Hike and Bike Trail
97.067	Homeland Security UASI - Fire

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

CITY OF FRISCO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2013

Section II - Financial Statement Findings

There were no findings for the year ended September 30, 2013.

Section III - Federal Award Findings and Questioned Costs

There were no findings for the year ended September 30, 2013.

Section IV – Prior Year Findings and Questioned Costs

Finding 2012-1

Procurement and Suspension and Debarment - The City did not maintain evidence of their verification of suspension and debarment.

CFDA TITLES: Highway Planning and Construction – Phillips Creek Hike and Bike Trail – ARRA

CFDA NUMBERS: 20.205

Type of Finding: Compliance

Questioned Cost: Not Applicable

Status of Prior Year Finding:

Remediated – No exceptions were noted during the current year audit.