

City of Waco, Texas
Compliance and Internal Control Reports
Under *Government Auditing Standards*, the *Uniform Guidance*,
and *Uniform Grant Management Standards* of the State of Texas
Schedules of Expenditures of Federal and State Awards
September 30, 2017

City of Waco, 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 Honorable Mayor and Members of the City Council
City of Waco, Texas:

We have audited, in accordance with 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 Waco, Texas (the “City”), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated February 5, 2018. The financial statements of Baylor Waco Stadium Authority (“BWSA”) were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with BWSA.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic 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 basic 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 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as item 2017-001.

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*.

City's Response to Findings

The City's response to the findings identified in our audit are 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 the financial statements and, accordingly, we express no opinion on it.

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.

February 5, 2018



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INDEPENDENT AUDITOR’S REPORTS ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM; ON INTERNAL CONTROL OVER COMPLIANCE; AND ON THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS REQUIRED BY THE *UNIFORM GUIDANCE AND UNIFORM GRANT MANAGEMENT STANDARDS OF THE STATE OF TEXAS*

To the Honorable Mayor and Members of the City Council
City of Waco, Texas:

Report on Compliance for Each Major Federal and State Program

We have audited the compliance of the City of Waco, Texas (the “City”) with the types of compliance requirements described in the U.S. Office of Management and Budget (“OMB”) *Compliance Supplement* and the *Uniform Grant Management Standards* of the State of Texas that could have a direct and material effect on each of the City’s major federal and state programs for the year ended September 30, 2017. The City’s major federal and state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

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; 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 the *Uniform Grant Management Standards* of the State of Texas. 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 or 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 types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2017.

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 or 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 *Uniform Grant 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 or 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 or 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 or 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, material weaknesses may exist that were not 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 and *Uniform Grant Management Standards*. Accordingly, this report is not suitable for any other purpose.

**Report on Schedules of Expenditures of Federal and State Awards Required
by the Uniform Guidance and *Uniform Grant Management Standards* of the State of Texas**

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 of Waco, Texas, 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 have issued our report thereon dated February 5, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by the Uniform Guidance and *Uniform Grant Management Standards* of the State of Texas, and are 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 basic 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 schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Jaynes. Reitmeier, Boyd + Therrell, P.C.

February 5, 2018

City of Waco, Texas

Schedule of Findings and Questioned Costs

Year Ended September 30, 2017

(1) Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- o Material weakness(es) identified? yes no
- o Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- o Material weakness(es) identified? yes no
- o Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) ? yes no

State Awards

Internal control over major programs:

- o Material weakness(es) identified? yes no
- o Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Grant Management Standards? yes no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.557	Supplemental Food Program for Women, Infants and Children
20.106	Airport Improvement Program
20.205	Highway Planning and Construction Cluster

Identification of major state programs:

<u>Grant Number</u>	<u>Name of State Program or Cluster</u>
State Health Services - Direct Programs:	
2016-001449-01	TB State Grant
537-18-0045-0001	TB State Grant
2016-001085-00	RLSS - Local Public Health System
2016-001324-00	HIV Prevention State
2016-001324-02	HIV Prevention State
2016-003817-00	IDCU Epi Disease Surveillance - Ebola
537-18-0292-0001	IDCU Epi Disease Surveillance - Ebola
537-18-0067-0001	Immunization Branch - Locals
2016-001088-01	Immunization Branch - Locals
537-18-0364-0001	Healthy Texas Babies
2016-048306-02	Healthy Texas Babies

Dollar threshold used to distinguish between type A and type B federal programs: \$ 750,000

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

Auditee qualified as federal low-risk auditee? yes no
 Auditee qualified as state low-risk auditee? yes no

City of Waco, Texas

Schedule of Findings and Questioned Costs (Continued)

(2) Financial Statement Findings

2017-001 – Controls during Implementation of Comprehensive Information Technology System

On October 1, 2016, the City implemented a new comprehensive information technology system for purchasing, inventory, payables, and financial reporting. During the initial months of the implementation, interim budgetary financial reports that are provided to the City Council and monthly bank reconciliations could not be completed timely.

The City had to develop in-house custom reports to provide the interim budgetary versus actual financial information to the City Council as the software did not provide standardized reports. Further, the City requested additional on-site training and created system modifications that allowed staff to complete monthly bank reconciliations. By the end of the fiscal year, the City was able to develop custom reports, provide interim financial reports to the City Council, and implement processes to ensure timely reporting to those charged with governance. The City was also able to resolve the training inefficiencies and complete final bank reconciliations.

We concur with the City's plans to continue to prioritize the timely review of interim financial statements since oversight provided by those charged with governance is a key element in the overall control structure for the City. Additionally, we recommend that the City continue to cross-train employees as needed to ensure timely performance of bank reconciliations each month.

Management's Response

The City concurs with the findings as presented and understands the critical need for timely bank reconciliations and interim financial reporting. It should be noted that these were temporary issues related to the information technology system conversion as described above and are now corrected. Management and the Budget and Audit Committee, which is comprised of City Council members, were kept informed of the status of the issues and the overall implementation of the new system throughout the course of the fiscal year.

(3) Federal Award Findings and Questioned Costs

None noted.

City of Waco, Texas

Schedule of Findings and Questioned Costs
(Continued)

(4) State Award Findings and Questioned Costs

None noted.

City of Waco, Texas

Summary Schedule of Prior Audit Findings

September 30, 2017

None

City of Waco, Texas

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2017

Grantor/Pass-Through Grantor/Program or Cluster/Title	CFDA Number	Grantor / Pass Through Grantor Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Direct Programs:				
Farmers Market Promotion Program	10.168	15FMPPTX0017	\$ -	\$ 65,883
			-	65,883
Passed through the Texas Department of State Health Services:				
Supplemental Food Program for Women, Infants and Children	10.557	2017-049805-001	-	1,022,908
Peer for Women, Infants and Children	10.557	2017-049805-001	-	155,574
Intern	10.557	2017-049805-001	-	56,555
Registered Dietician	10.557	2017-049805-001	-	100,733
Clinical Lactation Practicum	10.557	2017-049805-001	-	58,370
Obesity Prevention Project	10.557	2017-049805-001	-	9,291
Total Passed through the Texas Department of Health			-	1,403,431
Total U.S. Department of Agriculture			-	1,469,314
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs:				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grant	14.218	B-13, 14, 15-MC-48-0029	245,132	1,114,939
Continuum of Care Grant:				
Continuum of Care	14.267	TX0240L6T041406	-	1,122
Continuum of Care	14.267	TX0240L6T041507	-	61,456
			-	62,578
HOME Investment Partnership Program	14.239	M-12, 13, 14, 15-MC-48-0202	144,305	594,903
HOME Investment Partnership Program	14.239	loan program - non-cash assistance	-	5,310,367
			144,305	5,905,270
Total Direct Programs			389,437	7,082,787
Passed through the Brazos Valley Council of Governments:				
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	5604-553-03	-	17,375
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	5607-553-04	-	44,856
Total passed through the Brazos Valley Council of Governments			-	62,231
Passed through the Heart of Texas Homeless Coalition:				
Continuum of Care 2015	14.267	TX0409L6T041500	-	17,532
Continuum of Care 2014	14.267	TX0386L6T041400	-	16,320
Total passed through the Heart of Texas Homeless Coalition			-	33,852
Total U.S. Department of Housing and Urban Development			389,437	7,178,870
<u>U.S. Department of Justice</u>				
Direct Programs:				
JAG 2014 Byrne Justice Assistance	16.738	2014-H1821-TX-DJ	-	25,071
JAG 2015 Byrne Justice Assistance	16.738	2015-DJ-BX-0907	23,599	23,599
JAG 2016 Byrne Justice Assistance	16.738	2016-DJ-BX-0719	30,452	50,566
Total Direct Programs			54,051	99,236

City of Waco, Texas

Schedule of Expenditures of Federal Awards (Continued)

City of Waco, Texas

Schedule of Expenditures of Federal Awards (Continued)

Grantor/Pass-Through Grantor/Program or Cluster/Title	CFDA Number	Grantor / Pass Through Grantor Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Justice (continued)</u>				
Passed through the State Governor's Office - Criminal Justice Division:				
Twin Peaks Extraordinary Costs Reimbursement	16.738	2939401	\$ -	\$ 7,155
Waco Family Violence Unit Detectives & Coordinator	16.588	2868003	-	10,565
Waco Family Violence Unit Detectives & Coordinator/17	16.588	2868002	-	9,750
Total passed through the State Governor's Office - Criminal Justice Division			-	27,470
Total U.S. Department of Justice			54,051	126,706
<u>U.S. Department of Transportation</u>				
Direct Programs:				
Airport Improvement Program (FAA)	20.106	3-48-0220-037-2015	-	358,660
Airport Improvement Program (FAA)	20.106	3-48-0020-036-2015	-	477,521
Airport Improvement Program (FAA)	20.106	3-48-0220-035-2014	-	46,134
			-	882,315
Federal Transit Cluster:				
Bus and Bus Facilities Program	20.526	VCR 1605(09) 18	-	634,921
Bus and Bus Facilities Program	20.526	BBF 1705(09) 010_17	-	413,001
Bus and Bus Facilities Program	20.526	VCR 1704(09) 03	-	1,088,440
Federal Transit Urbanized Area Formula Grant	20.507	TX2018-001-00	-	2,502,557
Federal Transit Urbanized Area Formula Grant	20.507	TX-90-X890	-	92,001
Federal Transit Urbanized Area Formula Grant	20.507	TX2016-045-00	-	422,128
			-	5,153,048
Total Direct Programs			-	6,035,363
Passed through the Texas Department of Transportation:				
Highway Planning and Construction Cluster:				
Metropolitan Planning Grant - FHWA-PL 112	20.205	50-16XF0007	-	392,358
Riverwalk Improvement Phase 2a	20.205	CSJ0909-22-165	-	2,704,800
Total Highway Planning and Construction Cluster			-	3,097,158
Metropolitan Planning Grant - FTA Section 5303	20.505	50-16XF0007	-	82,749
Transit Services Programs Cluster:				
Enhanced Mobility of Seniors - Individuals with Disabilities	20.513	ED 1703(09)	-	154,685
Total Transit Services Program Cluster			-	154,685
Highway Safety Cluster:				
Selective Traffic Enforcement Program	20.600	2017-WACOPD-S-1YG-0050	-	102,011
Total Highway Safety Cluster			-	102,011
Total passed through Texas Department of Transportation			-	3,436,603
Total U.S. Department of Transportation			-	9,471,966

City of Waco, Texas

**Schedule of Expenditures of Federal Awards
(Continued)**

Grantor/Pass-Through Grantor/Program or Cluster/Title	CFDA Number	Grantor / Pass Through Grantor Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>Institute of Museum and Library Services</u>				
Passed through the Texas State Library & Archives Commission: Interlibrary Loan Reimbursement Program	45.310	LS-00-15-0044-15	-	14,376
Total Institute of Museum and Library Services			-	14,376
<u>U.S. Department of Health and Human Services</u>				
Passed through the Texas Department of State Health Services:				
Community Preparedness Section/Public Health Emergency Response (PHER)	93.069	2016-001101-0002	\$ -	\$ 135,670
CPS-Bioterrorism Preparedness	93.074	537-18-0150-0001	-	37,783
Ebola Public Health Preparedness	93.074	2015-003620-02	-	6,802
			-	44,585
Tuberculosis Prevention and Control - Federal	93.116	2016-001406-00	-	1,527
Tuberculosis Prevention and Control - Federal	93.116	2016-001406-01	-	31,985
			-	33,512
Immunizations Branch - Locals	93.268	537-18-00001	-	9,894
Immunizations Branch - Locals	93.268	2016-001088-01	-	137,581
			-	147,475
RLSS - Local Public Health System	93.758	537-18-00253-00001	-	13,021
Title XIX Medicaid Administrative Claiming	93.778	529-16-0072-00028	-	130,690
TEXAS Healthy Communities	93.991	2016-003835-01	-	50,000
RLSS - Local Public Health System	93.991	2016-001085-00	-	139,703
			-	189,703
Total Passed through the Texas Department of State Health Services			-	694,656
Passed through the Brazos Valley Council of Governments:				
Ryan White Part B Service Delivery (RWSD)	93.917	5605-553-04	-	200,455
Ryan White Part B Service Delivery (RWSD) Supplemental	93.917	5605-553-01-S2	-	15,000
Ryan White Part B Service Delivery (RWSD) Supplemental	93.917	5605-553-01-S	-	16,038
Ryan White Service Delivery (RWSD)	93.917	5608-553-01	-	147,989
Total Passed through the Brazos Valley Council of Governments			-	379,482
Total U.S. Department of Health and Human Services			-	1,074,138
<u>U. S. Department of Homeland Security</u>				
Passed through State Department of Public Safety:				
Public Assistance Grant - 4223, Severe Storms, Tornadoes, Straight-line Winds and Flooding	97.036	PA-06-TX-4223-PW001774	-	162,224
Public Assistance Grant - 4223, Severe Storms, Tornadoes, Straight-line Winds and Flooding	97.036	PA-06-TX-4223-PW002064	-	2,308
Public Assistance Grant - 4223, Severe Storms, Tornadoes, Straight-line Winds and Flooding	97.036	PA-06-TX-4223-PW002245	-	14,878
			-	179,410
Emergency Management Performance Grant	97.042	17TX-EMPG-1296	-	57,981
Total passed through the State Department of Public Safety			-	237,391

City of Waco, Texas

**Schedule of Expenditures of Federal Awards
(Continued)**

<u>Grantor/Pass-Through Grantor/Program or Cluster/Title</u>	<u>CFDA Number</u>	<u>Grantor / Pass Through Grantor Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<u>U. S. Department of Homeland Security (continued)</u>				
Passed through the Texas Engineering Extension Service:				
2015 State Homeland Security Program	97.073	EMW-2015-SS-00080	\$ -	\$ 4,236
2016 State Homeland Security Program	97.073	EMW-2016-SS-00056	-	126,417
Total passed through the Texas Engineering Extension Service			<u>-</u>	<u>130,653</u>
Total U.S. Department of Homeland Security			<u>-</u>	<u>368,044</u>
Total Expenditures of Federal Awards			<u>\$ 443,488</u>	<u>\$ 19,703,414</u>

See accompanying notes to schedules of expenditures of federal and state awards.

City of Waco, Texas

Schedule of Expenditures of State Awards

Year Ended September 30, 2017

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Grant Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total State Expenditures</u>
<u>Texas Department of State Health Services</u>			
TB State Grant	2016-001449-01	\$ -	\$ 35,234
TB State Grant	537-18-0045-0001	-	975
RLSS - Local Public Health System	2016-001085-00	-	9,552
HIV Prevention State	2016-001324-00	-	37,456
HIV Prevention State	2016-001324-02	-	130,003
IDCU Epidemic Disease Surveillance - Ebola	2016-003817-00	-	75,889
IDCU Epidemic Disease Surveillance - Ebola	537-18-0292-0001	-	5,672
Immunization Branch - Locals	537-18-0067-0001	-	12,340
Immunization Branch - Locals	2016-001088-01	-	171,590
Healthy Texas Babies	537-18-0364-0001	-	2,632
Healthy Texas Babies	2016-048306-02	-	84,963
		<hr/>	<hr/>
		-	566,306
Passed through the Brazos Valley			
Council of Governments:			
HIV/State Services Supplemental	56006-553-03-R	-	74,935
HIV/State Services	5609-553-01	-	2,248
HIV/State Services	5606-553-02	-	80,529
Total Passed through the Brazos Valley		<hr/>	<hr/>
Council of Governments		-	157,712
Total Texas Department of State Health Services			
		<hr/>	<hr/>
		-	724,018
<u>State of Texas Comptroller's Office</u>			
Police LEOSE Grant		-	21,403
Fire LEOSE Grant		<hr/>	<hr/>
		-	375
Total State of Texas Comptroller's Office			
		<hr/>	<hr/>
		-	21,778
<u>State of Texas Office of Attorney General</u>			
Other Victim Assistance Grant (OVAG) 2017	1768456	-	36,324
Other Victim Assistance Grant (OVAG) 2018	1878990	<hr/>	<hr/>
		-	3,882
Total State of Texas Office of Attorney General			
		<hr/>	<hr/>
		-	40,206
<u>State of Texas Office of the Governor</u>			
National Incident-Based Reporting System (NIBRS)	3204901	-	32,000
National Incident-Based Reporting System (NIBRS)	3204902	<hr/>	<hr/>
		-	10,000
Total State of Texas Office of the Governor			
		<hr/>	<hr/>
		-	42,000
<u>Texas Department of Transportation</u>			
Public Transportation - Urban State Funds	URB 1703 (09)	-	426,298
Transit Planning Grant	PLN 1701(09) 24	<hr/>	<hr/>
		-	11,319
Total Texas Department of Transportation			
		<hr/>	<hr/>
		-	437,617

City of Waco, Texas

Schedule of Expenditures of State Awards
(Continued)

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Grant Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total State Expenditures</u>
<u>Texas State Library and Archives Commission</u>			
Libraries and Literacy Grant	481-17031	\$ -	\$ 3,964
Total Texas State Library and Archives Commission		<u>-</u>	<u>3,964</u>
<u>Texas Commission on Environmental Quality</u>			
Household Hazardous Waste Management	16-11-01	-	16,108
Total Texas Commission on Environmental Quality		<u>-</u>	<u>16,108</u>
<u>Texas Water Development Board</u>			
Flood Protection Planning Grant	1548321880	-	27,169
Total Texas Water Development Board		<u>-</u>	<u>27,169</u>
Total Expenditures of State Awards		<u>\$ -</u>	<u>\$ 1,312,860</u>

See accompanying notes to schedules of expenditures of federal and state awards.

City of Waco, Texas

Notes to Schedules of Expenditures of Federal and State Awards

Year Ended September 30, 2017

(1) Basis of Presentation

The accompanying schedules of expenditures of federal and state awards (the “Schedules”) include the federal and state award activity of the City of Waco, Texas (the “City”) under programs of federal and state governments for the year ended September 30, 2017. The information in these Schedules is presented in accordance with the 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 *Uniform Grant Management Standards* of the State of Texas. Because the Schedules present only a selected portion of the operations of the City, they are not intended to and do not present the financial position, changes in net position, or cash flows of the City.

(2) Summary of Significant Accounting Policies

Expenditures reported in the accompanying Schedules are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, or the cost principles contained in Office of Management and Budget Circular A-87, *Cost Principles for State and Local Governments*, wherein certain types of expenditures are not allowable or limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Grantor and pass-through grantor identifying numbers are presented where available.

(3) Indirect Cost Rate

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

(4) Federal Loan Program

The federal loan program listed as non-cash assistance on the accompanying schedule of federal awards is administered directly by the City, and balances and transactions relating to this program are included in the City’s basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedules. The balance of loans outstanding at September 30, 2017 consists of the following:

City of Waco, Texas

Notes to Schedules of Expenditures of Federal and State Awards
(Continued)

(4) Federal Loan Program (continued)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance at September 30, 2017</u>
14.239	HOME Investment Partnership Program	<u>\$4,572,348</u>