

City of Ennis, Texas

Single Audit Reports

September 30, 2020

City of Ennis, Texas
September 30, 2020

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City of Ennis, Texas
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S. Environmental Protection Agency</u>				
Passed through from:				
Texas Water Development Board				
Capitalization Grants for Clean Water State Revolving Funds	66.458	L1000641	\$ -	\$ 1,366,219
U.S. Total Environmental Protection Agency			-	1,366,219
<u>U.S. Department of Housing and Urban Development</u>				
Passed through from:				
Texas Department of Agriculture				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	7217202	-	200,729
	14.228	7218032	-	897,658
	14.228	7218140	-	172,266
Total U.S. Department of Housing and Urban Development			-	1,270,653
<u>U.S. Department of Treasury</u>				
Passed through from:				
Texas Department of Emergency Management COVID-19 – Coronavirus Relief Fund	21.019	None Provided	-	119,778
Total U.S. Department of the Treasury			-	119,778
<u>U.S. Department of Transportation</u>				
Passed through from:				
Texas Department of Transportation Airport Improvement Program	20.106	M2018ENNI	-	3,017
Total U.S. Department of Transportation			-	3,017
Total Federal Awards Expended			\$ -	\$ 2,759,667

City of Ennis, Texas
Notes to the Schedule of Expenditures of Federal Awards
Year Ended September 30, 2020

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the City of Ennis, Texas (City) under programs of the federal government for the year ended September 30, 2020.

The information in this Schedule 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). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the City.

2. 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 or other applicable regulatory framework, wherein certain types of expenditures are not allowable or are limited as to reimbursement or other regulatory framework. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. The City did not have any federal loan programs during the year ended September 30, 2020.

**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**

Independent Auditor's Report

The Honorable Mayor and City Commissioners
City of Ennis, Texas
Ennis, 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 Ennis, Texas (City), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 14, 2021.

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) as a basis for designing 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness.

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 financial statements. 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 the Finding

The City's response to the finding 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 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.

BKD, LLP

Dallas, Texas
April 14, 2021

**Report on Compliance for the Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal Awards Required by the Uniform Guidance**

Independent Auditor's Report

The Honorable Mayor and City Commissioners
City of Ennis, Texas
Ennis, Texas

Report on Compliance for the Major Federal Program

We have audited the City of Ennis, Texas' (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended September 30, 2020. The City's major federal program is 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 the City's major federal program 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 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 the 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 the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the 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 its major federal program for the year ended September 30, 2020.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ennis, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise City's basic financial statements. We issued our report thereon dated April 14, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion 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.

BKD, LLP

Dallas, Texas
April 14, 2021

City of Ennis, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2020

7. The City's major federal program was:

<u>Cluster/Program</u>	<u>CFDA Number</u>
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228

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

9. The Organization qualified as a low-risk auditee?

Yes

No

City of Ennis, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2020

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Summary of Finding
2020-001	<p>Criteria or Specific Requirement</p> <p>Management is responsible for the timely and accurate preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).</p> <p>Condition: Year-end closing procedures were not adequately performed which resulted in initial errors in year-end balances and required numerous audit adjustments, including adjustments to beginning fund balance/net position. We suggest that written instructions be included as part of the City’s accounting policies and procedures manual that indicates all items to be completed during the year-end close and the individuals responsible for each item.</p> <p>Cause: Internal controls and review processes were not in place to ensure the financial activity was properly recorded in the annual financial statements.</p> <p>Recommendation: Management should implement procedures to help ensure that controls are in place that will allow for the preparation of the financial statements in accordance with GAAP.</p> <p>Views of Responsible Officials: We agree with the finding. See separate report for planned corrective actions.</p>

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
	No matters are reportable.

City of Ennis, Texas
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2020

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Summary of Finding	Status
2019-001	<p>Finding: Preparation of Financial Statements</p> <p>We suggest that the City develop policies and procedures with respect to year-end close, including assigning individuals responsible for each item. In addition, monthly reconciliations play a key role in proving the accuracy of accounting data and information included in interim financial statements. In order to provide more accurate and timely accounting information, we recommend the City establish more effective reconciliation policies and review procedures. This would involve monthly reconciliations of general ledger accounts and providing interim reports to both management and the City Council throughout the year.</p>	Not Implemented. See Finding 2020-001