

City of Waco, Texas
Compliance and Internal Control Reports
Under *Governmental 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, 2016

City of Waco, Texas

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JAYNES REITMEIER BOYD & THERRELL, P.C.
Certified Public Accountants
5400 Bosque Blvd., Ste. 500 | Waco, TX 76710
P.O. Box 7616 | Waco, TX 76714
Main 254.776.4190 | Fax 254.776.8489 | jrbt.com

**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 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, 2016, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated January 31, 2017. We conducted our audit 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 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 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 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. 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 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.

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

January 31, 2017



JAYNES REITMEIER BOYD & THERRELL, P.C.
Certified Public Accountants
5400 Bosque Blvd., Ste. 500 | Waco, TX 76710
P.O. Box 7616 | Waco, TX 76714
Main 254.776.4190 | Fax 254.776.8489 | jrbt.com

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, 2016. 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, 2016.

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 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 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated January 31, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the basic financial statements. 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 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.

January 31, 2017

City of Waco, Texas

Schedule of Findings and Questioned Costs

Year Ended September 30, 2016

(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	<u> x </u>	no
o Significant deficiency(ies) identified?	___	yes	<u> x </u>	none reported

Noncompliance material to financial statements noted?	___	yes	<u> x </u>	no
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Federal Awards

Internal control over major programs:

o Material weakness(es) identified?	___	yes	<u> x </u>	no
o Significant deficiency(ies) identified?	___	yes	<u> x </u>	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 section 200.516 of Title 2 U.S. Code of Federal Regulation, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)

___	yes	<u> x </u>	no
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State Awards

Internal control over major programs:

o Material weakness(es) identified?	___	yes	<u> x </u>	no
o Significant deficiency(ies) identified?	___	yes	<u> x </u>	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	<u> x </u>	no
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Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
16.738	Twin Peaks Extraordinary Costs Reimbursement
20.205 and 20.505	Highway Planning and Construction Cluster
20.507	Federal Transit Cluster

Identification of major state programs:

<u>Grant Number</u>	<u>Name of State Program or Cluster</u>
URB 1603 (09)	Public Transportation Grant Program FY 2015

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:

\$ 750,000

Auditee qualified as federal low-risk auditee?

<u> x </u>	yes	___	no
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Auditee qualified as state low-risk auditee?

<u> x </u>	yes	___	no
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City of Waco, Texas

Schedule of Findings and Questioned Costs
(Continued)

(2) Financial Statement Findings

None noted.

(3) Federal Award Findings and Questioned Costs

None noted.

(4) State Award Findings and Questioned Costs

None noted.

City of Waco, Texas

Summary Schedule of Prior Audit Findings

September 30, 2016

None

City of Waco, Texas

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2016

<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 Agriculture</u>				
Direct Programs:				
Farmers Market Promotion Program	10.168	15FMPPTX0017	\$ -	\$ 33,569
			-	33,569
Passed through the Texas Department of State Health Services:				
Supplemental Food Program for Women, Infants and Children	10.557	2016-048791-001	-	1,139,697
Peer for Women, Infants and Children	10.557	2016-048791-001	-	171,889
Extra Funding	10.557	2016-048791-001	-	10,475
Registered Dietician	10.557	2016-048791-001	-	103,016
Clinical Lactation Practicum	10.557	2016-048791-001	-	41,520
Obesity Prevention Project	10.557	2016-048791-001	-	20,634
Total Passed through the Texas Department of Health			-	1,487,231
Total U.S. Department of Agriculture			-	1,520,800
<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	250,731	1,331,339
Shelter Plus Care / Continuum of Care Grant:				
Chronic Homeless/Other Homeless	14.267	TX0261C6T040900	8,991	8,991
Other Homeless	14.267	TX0260C6T040900	2,880	2,880
Continuum of Care	14.267	TX0240L6T041406	-	61,531
			11,871	73,402
HOME Investment Partnership Program	14.239	M-12, 13, 14, 15-MC-48-0202	280,251	549,859
HOME Investment Partnership Program	14.239	loan program - non-cash assistance	-	5,293,237
			280,251	5,843,096
Total Direct Programs			542,853	7,247,837
Passed through the Brazos Valley Council of Governments:				
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	5604-553-01	-	43,609
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	5601-553-03	-	26,714
Total passed through the Brazos Valley Council of Governments			-	70,323
Total U.S. Department of Housing and Urban Development			542,853	7,318,160
<u>U.S. Department of the Interior, National Park Service</u>				
Direct Programs:				
Historic Preservation Fund Grants-In-Aid	15.904	TX-016-044	-	1,048
Total U.S. Department of the Interior, National Park Service			-	1,048
<u>U.S. Department of Justice</u>				
Direct Programs:				
JAG 2015 Byrne Justice Assistance	16.738	2015-DJ-BX-0907	7,555	21,955
Total Direct Programs			7,555	21,955

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 Justice (continued)</u>				
Passed through the State Governor's Office - Criminal Justice Division:				
Twin Peaks Extraordinary Costs Reimbursement	16.738	2939401	\$ -	\$ 241,786
Waco Family Violence Unit Detectives & Coordinator/17	16.588	2868002	-	16,035
Total passed through the State Governor's Office - Criminal Justice Division			-	257,821
Total U.S. Department of Justice			7,555	279,776
<u>U.S. Department of Transportation</u>				
Direct Programs:				
Airport Improvement Program (FAA)	20.106	3-48-0220-037-2015	-	199,068
Airport Improvement Program (FAA)	20.106	3-48-0220-036-2015	-	5,208,213
			-	5,407,281
Federal Transit Cluster:				
Federal Transit Urbanized Area Formula Grant	20.507	TX-90-Y000 2013	-	4,163
Federal Transit Urbanized Area Formula Grant	20.507	TX-90-X890-00 2009	-	36,791
Federal Transit Urbanized Area Formula Grant	20.507	TX2016-045-00	-	2,627,405
			-	2,668,359
Total Direct Programs			-	8,075,640
Passed through the Texas Department of Transportation:				
Highway Planning and Construction Cluster:				
Metropolitan Planning Grant - FHWA-PL 112	20.205	50-16XF0007	-	322,524
Metropolitan Planning Grant - FTA Section 5303	20.505	50-16XF0007	-	81,580
Ritchie Road Widening - Advance Funding Agreement	20.205	CSJ0909-22-150	-	836,038
Total Highway Planning and Construction Cluster			-	1,240,142
Highway Safety Cluster:				
Selective Traffic Enforcement Program	20.600	2016-WACOPD-S-1YG-0021	-	93,947
Total Highway Highway Safety Cluster			-	93,947
Total passed through Texas Department of Transportation			-	1,334,089
Total U.S. Department of Transportation			-	9,409,729
<u>Institute of Museum and Library Services</u>				
Passed through the Texas State Library & Archives Commission:				
Interlibrary Loan Reimbursement Program (FY 2015)	45.310	LS-00-15-0044-15	-	13,666
Total Institute of Museum and Library Services			-	13,666

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 Health and Human Services</u>				
Passed through the Texas Department of State Health Services:				
Community Preparedness Section/Public Health Emergency Response (PHER)	93.069	2016-001101-00	\$ -	\$ 172,783
CPS-Bioterrorism Preparedness Discretionary	93.069	2015-047252-001	-	39,073
			<u>-</u>	<u>211,856</u>
 Ebola Public Health Preparedness	 93.074	 2015-003620-02	 -	 20,909
Tuberculosis Prevention and Control - Federal	93.116	2016-001406-00	-	29,785
Tuberculosis Prevention and Control - Federal	93.116	2015-001406	-	10,621
			<u>-</u>	<u>40,406</u>
 Immunizations Branch - Locals	 93.268	 2016-001088-00	 -	 135,782
Immunizations Branch - Locals	93.268	2016-001088-01	-	7,327
			<u>-</u>	<u>143,109</u>
 TEXAS Healthy Communities	 93.991	 2015-0475254	 -	 50,000
RLSS - Local Public Health System	93.991	2016-001085-00	-	179,106
			<u>-</u>	<u>229,106</u>
 Total Passed through the Texas Department of State Health Services			 <u>-</u>	 <u>645,386</u>
Passed through the Brazos Valley Council of Governments:				
Ryan White Part B Service Delivery (RWSD)	93.917	5605-553-01	-	132,516
Ryan White Part B Service Delivery (RWSD) Supplemental	93.917	5605-553-01-S	-	19,000
Ryan White Service Delivery (RWSD)	93.917	5602-553-06	-	186,914
Total Passed through the Brazos Valley Council of Governments			<u>-</u>	<u>338,430</u>
Passed through the National Association of County and City Health Officials:				
CDC Grant Medical Reserve Corp	93.008	MRC 15-1332	-	1,790
CDC Grant HPV Vaccination Rates	93.524	2015-121405	-	35,000
Total Passed through the National Association of County and City Health Officials:			<u>-</u>	<u>36,790</u>
 Total U.S. Department of Health and Human Services			 <u>-</u>	 <u>1,020,606</u>
<u>U. S. Department of Homeland Security</u>				
Passed through the Texas Engineering Extension Service:				
2014 State Homeland Security Program	97.067	EMW-2014-SS-00029	-	30,135
2015 State Homeland Security Program	97.067	EMW-2015-SS-00080	-	47,852
Total passed through the Texas Engineering Extension Service			<u>-</u>	<u>77,987</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-PW00978	-	6,550
Public Assistance Grant - 4223, Severe Storms, Tornadoes, Straight-line Winds and Flooding	97.036	PA-06-TX-4223-PW00824	-	34,028
Public Assistance Grant - 4223, Severe Storms, Tornadoes, Straight-line Winds and Flooding	97.036	PA-06-TX-4223-PW02065	-	3,429
			<u>-</u>	<u>44,007</u>

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>				
Emergency Management Performance Grant	97.042	16-TX-EMPG-1296	\$ -	\$ 62,369
Total passed through the State Department of Public Safety			-	106,376
Total U.S. Department of Homeland Security			-	184,363
Total Expenditures of Federal Awards			\$ 550,408	\$ 19,748,149

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, 2016

<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	2016-001449-00	\$ -	\$ 29,930
RLSS - Local Public Health System	2016-001085-00	-	12,244
HIV Prevention State	2016-001324-00	-	177,489
IDCU Epidemic Disease Surveillance - Ebola	2016-003817-00	-	64,414
Flu Surveillance	2016-003750-00	-	10,000
Immunization Branch - Locals	2016-001088-00	-	169,346
Immunization Branch - Locals	2016-001088-01	-	9,138
Healthy Texas Babies	2016-048306-00	-	86,100
Healthy Texas Babies	2016-048306-01	-	5,037
		<u>-</u>	<u>563,698</u>
Passed through the Brazos Valley			
Council of Governments:			
HIV/State Services	5603-553-03	-	89,348
HIV/State Services	5605-553-01	-	11,963
Total Passed through the Brazos Valley		<u>-</u>	<u>101,311</u>
Council of Governments			
Total Texas Department of State Health Services		<u>-</u>	<u>665,009</u>
<u>State of Texas Comptroller's Office</u>			
Police LEOSE Grant		-	15,253
Fire LEOSE Grant		-	1,216
Total State of Texas Comptroller's Office		<u>-</u>	<u>16,469</u>
<u>State of Texas Office of Attorney General</u>			
Other Victim Assistance Grant (OVAG) 2016	1661420	-	39,567
Other Victim Assistance Grant (OVAG) 2015	1768456	-	5,676
Total State of Texas Office of Attorney General		<u>-</u>	<u>45,243</u>
<u>State of Texas Office of the Governor</u>			
Waco Family Violence Unit Detectives and Coordinator	2868001	-	80,673
Total State of Texas Office of the Governor		<u>-</u>	<u>80,673</u>
<u>Texas Department of Transportation</u>			
Public Transportation Grant Program FY 2015	URB 1603 (09)	-	416,553
Total Texas Department of Transportation		<u>-</u>	<u>416,553</u>

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 Commission on Environmental Quality</u>			
Household Hazardous Waste Management	16-11-01	\$ -	\$ 25,000
Total Texas Commission on Environmental Quality		<u>-</u>	<u>25,000</u>
<u>Texas Commission on the Arts</u>			
Arts Respond Performance Grants	CC6/70405	-	612
Total Texas Commission on the Arts		<u>-</u>	<u>612</u>
<u>Texas Water Development Board</u>			
Flood Protection Planning Grant	1548321880	-	40,899
The Brazos River Demonstration Wetland Project	1400011760	-	26,353
Total Texas Water Development Board		<u>-</u>	<u>67,252</u>
Total Expenditures of State Awards		<u>\$ -</u>	<u>\$ 1,316,811</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, 2016

(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, 2016. 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, it is not intended to and does not present the financial position, change 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 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, 2016 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, 2016</u>
14.239	HOME Investment Partnership Program	<u><u>\$5,310,367</u></u>