

**CITY OF HARKER HEIGHTS**

**SINGLE AUDIT REPORTS**

**For the Year Ended  
September 30, 2019**



**LOTT, VERNON & COMPANY, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

20 SOUTH FOURTH STREET 254/778/4783  
POST OFFICE BOX 160 800/460/4783  
TEMPLE, TEXAS 76503 FAX 254/778/4792

KILLEEN • COPPERAS COVE • TEMPLE

*Member of  
American Institute & Texas Society of  
Certified Public Accountants*

**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 Harker Heights, 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, each major fund, and the aggregate remaining fund information of City of Harker Heights (the City), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated February 7, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

A handwritten signature in blue ink that reads "Jott, Lewan & Co., P.C." in a cursive script.

Killeen, Texas

February 7, 2020



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL REWARDS REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Mayor and  
Members of the City Council  
City of Harker Heights, Texas

**Report on Compliance for Each Major Federal Program**

We have audited the City of Harker Heights, Texas (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2019. 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 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 each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

**Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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, each major fund, the budgetary comparison for the General Fund, and the aggregate remaining fund information of the City, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 7, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Killeen, Texas  
February 7, 2020

**CITY OF HARKER HEIGHTS**  
**Schedule of Findings and Questioned Costs**  
**September 30, 2019**

I. Summary of Audit Results

**Financial Statements**

- 1. Type of auditor's report issued: unmodified
- 2. Internal control over financial reporting:  
 Material weakness(es) identified? \_\_\_\_\_ yes X no  
 Significant deficiencies identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes X none reported
- 3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes X no

**Federal Awards**

- 4. Internal control over major programs:  
 Material weakness (es) identified? \_\_\_\_\_ yes X no  
 Significant deficiencies identified that are not considered to be material weakness (es)? \_\_\_\_\_ yes X no
- 5. Type of auditor's report issued on compliance for major programs: unmodified
- 6. Any audit findings disclosed that are required to be reported in accordance with section 200.516a of the Uniform Guidance? \_\_\_\_\_ yes X no
- 7. Identification of major programs:

Name of Federal Programs

Federal CFDA Number

***US Department of Transportation, Federal Highway Administration***

Highway Planning and Construction 20.205

- 8. Dollar threshold used to distinguish between type A and type B federal programs: \$750,000
- 9. Auditee qualified as low-risk auditee? \_\_\_\_\_ yes X no – due to no single audit performed in the past two years

**CITY OF HARKER HEIGHTS**  
**Schedule of Findings and Questioned Costs (Continued)**  
**September 30, 2019**

II. Financial Statement Findings

- None.

III. Federal Awards Findings and Questioned Costs

- None.

CITY OF HARKER HEIGHTS, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2019

Federal grantor / pass-through grantor / program title	CFDA Number	Federal / pass-through grant number	Program award amount	Grant expenditures
<b>U.S. Department of Agriculture Forest Department</b>				
Passed through Texas A&M Forest Service				
2019 State-Wide Community Wildfire Protection Plan Grant	10.664	17-DG-11083148-001	10,000	0
Subtotal CFDA #10.664			10,000	0
Total U.S. Department of Agriculture Forest Department			10,000	0
<b>U.S. Department of Justice</b>				
Passed through Office of the Governor Criminal Justice Division				
VA Victims of Crime Act / Rapid Intervention Response	16.575	3540601	25,500	13,861
Subtotal CFDA #16.575			25,500	13,861
<b>U.S. Department of Justice</b>				
2017 Bulletproof Vests Partnership	16.607	2017BUBX17086560	3,246	66
2018 Bulletproof Vests Partnership	16.607	2018BUBX18091776	6,460	1,148
Subtotal CFDA #16.607			9,706	1,214
Total U.S Department of Justice			35,206	15,075
<b>U.S. Department of Transportation, Federal Highway Administration</b>				
Passed through Texas Department of Transportation				
Highway Planning and Construction				
Pass Through Toll Agreement	20.205	CSJ #0231-03-128	1,700,000	886,102
Harker Heights Commercial Drive Roundabout	20.205	CSJ #0909-36-153	391,399	271,284
Subtotal CFDA #20.205			2,091,399	1,157,386
Total U.S. Department of Transportation			2,091,399	1,157,386
<b>U.S. Department of Education / Institute of Museum and Library Services</b>				
Passed through Texas State Library and Archives Comission				
InterLibrary Loan Lends Reimbursement	45.310	LS-00-17-0044-17	2,268	2,268
Subtotal CFDA #45.310			2,268	2,268
Total U.S. Department of Education			2,268	2,268
<b>U.S. Department of Homeland Security</b>				
Passed through the Office of the Governor				
HS Homeland Security Grant / Throwbots	97.067	3540901	9,445	9,445
Subtotal CFDA #97.067			9,445	9,445
Total U.S. Department of Homeland Security			9,445	9,445
Total Federal Assistance			2,148,318	1,184,174



**CITY OF HARKER HEIGHTS**  
**NOTES ON ACCOUNTING POLICIES FOR FEDERAL PROGRAMS**  
**YEAR ENDED SEPTEMBER 30, 2019**

The City utilizes the fund types specified by the Governmental Accounting Standards Board (GASB) based on generally accepted accounting principles (GAAP).

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes. Federal and state financial assistance generally is accounted for in the General Fund or a Capital Projects Fund.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in a Governmental Fund type. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become available and measurable and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt and certain similar accrued obligations, which are recognized when due.

Since the City does not have an agency approved Indirect Recovery Rate it has elected to use the 10 percent de minimis cost rate as permitted in the UG, section 200.414.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. The City uses the reimbursement method of reporting for Federal grants. Funds are requested and received after the expenditures have been made.

The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with the Uniform Guidance.

CITY OF HARKER HEIGHTS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED SEPTEMBER 30, 2019

**Unresolved Prior Year Findings**

None.