

TOWN OF PROSPER, TEXAS

SINGLE AUDIT REPORT

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2019**

TOWN OF PROSPER, TEXAS

SEPTEMBER 30, 2019

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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

Honorable Mayor
and Members of Town Council
Town of Prosper, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Prosper, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Prosper, Texas' basic financial statements, and have issued our report thereon dated March 18, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Prosper, Texas' 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 Town of Prosper, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Prosper, Texas' 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.

OFFICE LOCATIONS

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NEW MEXICO | Albuquerque



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Prosper, Texas' 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.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 18, 2020

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE STATE OF TEXAS UNIFORM GRANT MANAGEMENT STANDARDS

Honorable Mayor
and Members of Town Council
Town of Prosper, Texas

Report on Compliance for Each Major State Program

We have audited the Town of Prosper, Texas’ compliance with the types of compliance requirements described in the State of Texas *Uniform Grant Management Standards* that could have a direct and material effect on each of Town of Prosper, Texas’ major state programs for the year ended September 30, 2019. Town of Prosper, Texas’ major 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 state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of Town of Prosper, Texas’ major 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; and the State of Texas *Uniform Grant Management Standards*. Those standards and the State of Texas *Uniform Grant Management Standards* 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 state program occurred. An audit includes examining, on a test basis, evidence about Town of Prosper, Texas’ 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 state program. However, our audit does not provide a legal determination of Town of Prosper, Texas’ compliance.

Opinion on Each Major State Program

In our opinion, Town of Prosper, Texas 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 state programs for the year ended September 30, 2019.

Report on Internal Control over Compliance

Management of Town of Prosper, Texas 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 Town of Prosper, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State of Texas *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 Town of Prosper, Texas' 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 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 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 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 the requirements of the State of Texas *Uniform Grant Management Standards*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Awards Required by the State of Texas *Uniform Grant Management Standards*

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Town of Prosper, Texas as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Prosper, Texas' basic financial statements. We issued our report thereon dated March 18, 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 state awards is presented for purposes of additional analysis as required by the State of Texas *Uniform Grant Management Standards* 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 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 state awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 18, 2020

TOWN OF PROSPER, TEXAS

SCHEDULE OF EXPENDITURES STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

State Grantor Pass-Through Grantor Program Title	Grant I.D. Number	Total Expenditures	Passed Through to Subrecipients
<u>State Awards</u>			
<u>Texas Department of Transportation</u>			
Passed through the North Central Texas Council of Governments			
RTR - Fishtrap Road (FM 1385 to Teel)	0918-46-286	\$ <u>2,834,750</u>	\$ <u>-</u>
Total Texas Department of Transportation		<u>2,834,750</u>	<u>-</u>
Total Expenditures of State Awards		\$ <u>2,834,750</u>	\$ <u>-</u>

TOWN OF PROSPER, TEXAS

**NOTES TO SCHEDULE OF EXPENDITURES OF
STATE AWARDS**

SEPTEMBER 30, 2019

1. GENERAL

The Schedule of Expenditures of State Awards presents the activity of all applicable state award programs of Town of Prosper, Texas. The Town's reporting entity is defined in Note I of the financial statements. State awards received directly from state agencies, as well as state awards passed through other government agencies, are included on the Schedule of Expenditures of State Awards.

2. BASIS OF ACCOUNTING

The Schedule of Expenditures of State Awards is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note I of the financial statements.

3. PASS-THROUGH EXPENDITURES

None of the state programs expended by the District were provided to subrecipients.

TOWN OF PROSPER, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Summary of Auditor's Results

Financial Statements:	
Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
State Awards:	
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Grant Management Standards?	None
Identification of major programs:	
Name of State Program:	
RTR - Fishtrap Road (FM 1385 to Teel)	
Dollar threshold used to distinguish between type A and type B programs	\$300,000
Auditee qualified as low-risk auditee?	No

**Findings Relating to the Financial Statements Which are
Required to be Reported in Accordance With Generally
Accepted Government Auditing Standards**

None

Findings and Questioned Costs for State Funds

None

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Item 2018-001

Criteria:

The objectives of internal control include providing reasonable assurance that recorded amounts are valid and that all transactions are recorded accurately and in a timely manner. Control activities to achieve those objectives must be appropriately designed and implemented to ensure the financial statements are not materially misstated.

Condition:

In 2018, the Town discovered nearly \$100 million of street, drainage, and water infrastructure donated by developers during previous fiscal years had not been recorded in the financial statements.

Effect:

The Town's capital assets were materially misstated. The Town has included these additions and the associated accumulated depreciation in the financial statements via prior period adjustment.

Recommendation:

We recommend the Town implement controls to ensure that the value of infrastructure donated by developers is captured and recorded in the financial statements in a timely manner.

Management's Response:

Finance was made aware of the donated infrastructure from developers during 2016-2017 fiscal year audit. Finance did record current year donated infrastructures values in the amount of \$1.740 million from the various projects donated by developers. In the ensuing 2017-2018 fiscal year, Finance continued to work with Engineering to obtain historical values on donated infrastructure. The amount posted was five years of historical donated infrastructure hence the amount noted by auditors and posted as a prior period adjustment. In order to move forward and improve obtaining donated infrastructure values from developers the following is the Town's action plan on donated assets:

Prior to final acceptance of public infrastructure for a given development, Engineering requires developer to provide documentation to determine construction costs. Developer and/or their consultant will provide to Engineering at least one of the following documents: Contractor final pay applications, Final Bid tabulations, Itemized spreadsheet of public infrastructure with cost breakdown, lump sum bid totals for specific fields (water, sewer, storm water, and paving), or other similar documents. Supporting documents will be maintained in the Engineering's office along with the record drawings of the civil plans. Engineering will notify Finance at year end of the collected information and supporting documents. Finance has included donated infrastructure recording of assets as required work paper in the annual financial reporting procedures/checklist.

Status:

The finding was fully corrected during the year ended September 30, 2019.