



Single Audit Report -Federal
September 30, 2016

CITY OF GALVESTON, TEXAS
FEDERAL SINGLE AUDIT REPORT
For the Year Ended September 30, 2016

CITY OF GALVESTON, TEXAS
TABLE OF CONTENTS

	<u>Page</u>
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the <i>Uniform Guidance</i>	3
Schedule of Findings and Questioned Costs	6
Schedule of Expenditures of Federal Awards	10
Notes to Schedule of Expenditures of Federal Awards	13

**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 City Council
City of Galveston, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Galveston, 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 March 22, 2017. Our report includes a reference to other auditors who audited the financial statements of the Park Board of Trustees of the City of Galveston (the “Park Board”) as described in our report on the City’s financial statements. This report does not include the results of the auditors’ testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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.

To the Honorable Mayor and
Members of City Council
City of Galveston, Texas

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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. 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: 2016-001 and 2016-002 and 2016-003.

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*.

The City's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned cost. The City's response was not subjected to 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 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 purposes.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
March 22, 2017

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE *UNIFORM GUIDANCE***

To the Honorable Mayor and
Members of City Council
City of Galveston, Texas

Report on Compliance for Each Major Federal Program

We have audited the City of Galveston, 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, 2016. 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 with those requirements.

To the Honorable Mayor and
Members of City Council
City of Galveston, Texas

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, 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 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 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 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.

To the Honorable Mayor and
Members of City Council
City of Galveston, Texas

Report on Schedule of Expenditures of Federal Awards Required by the *Uniform Guidance*

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of 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. We have issued our report thereon dated March 22, 2017, which contained unmodified opinions on those financial statements.

Our audit was performed 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 other 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 taken as a whole.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
March 22, 2017

CITY OF GALVESTON, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2016

I. - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal Control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	Yes: Finding #2016-001, #2016-002, and 2016-003
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	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 section 2 CFR 200.616(a)?	None
Identification of Major Programs:	
<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
U.S. Department of Housing and Urban Development Community Development Block Grant Block Grant	14.228
U.S. Department of Transportation Cluster Formula Grants for Rural Areas	20.509
U.S. Department of Homeland Security Hazard Mitigation Grant (HMGP)	97.039
Dollar threshold used to distinguish between type A and type B programs:	\$989,753
Auditee qualified as low-risk auditee?	Yes

CITY OF GALVESTON, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For The Year Ended September 30, 2016

II. - Financial Statement Findings

Finding #2016-001: Utility Billing

Criteria: Management is responsible for designing and implementing a system of internal controls that ensures the fair presentation of financial statements in accordance with generally accepted accounting principles. Utility billing accounts receivable and deposits due to customers are significant and material accounts to the City's enterprise funds and should be reconciled to subsidiary ledgers to ensure accurate presentation in the financial statements.

Condition: During our audit, we noted that support from the Utility billing system for accounts receivable and customer deposits did not agree or reconcile to the City's ledgers.

Cause: The City changed Utility billing systems in FY2013; in the years since there has also been significant turnover in personnel in the finance department. It does not appear that the process to reconcile fully between the two systems has been performed to ensure that the change in systems and the integration of data from the Utility system to the financial software is accurate.

Effect: The finance staff were able to reconcile the current year revenues from Utility billing to the current year revenues reported in the financial software. However, accounts receivable balances and customer deposit balances do not agree, and cannot be reconciled, between the two systems. Accounts receivable (assets) are higher in the financial ledger; customer deposits (liabilities) are also higher in the financial ledger, which lowers the net effect on the financial statements. Due to the fact that revenues are able to be reconciled currently, the variance in accounts receivable and customer deposits would seem to date back to previous years and the transition between Utility billing systems. The correcting entries for reconciliation would lead to a net effect in net position rather than revenues.

Recommendation: We recommend that the City staff work with IT and Utility billing to understand the process that occurred during transition to be able to reconcile the subsidiary ledgers per Utility billing and the financial system, and to make the appropriate adjustments to ensure the amounts are accurately reported in the financial system.

CITY OF GALVESTON, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For The Year Ended September 30, 2016

II. - Financial Statement Findings (continued)

Finding #2016-002: Reconciliations

Criteria: Management is responsible for designing and implementing a system of internal control that ensures the fair presentation of financial statements in accordance with generally accepted accounting principles. Accounts receivable throughout the City's financials are a significant asset and identifies future cash flows for the City.

Condition: During our audit we noted various receivable accounts that were inaccurate and had not been reconciled or reviewed for possible previous collections or the need for an allowance of uncollectible accounts.

Cause: In the last few years, the City has had significant turnover in the finance and other departments. This has led to some difficulties in being able to perform the day to day functions and monthly reconciliations or following up on items requiring more attention.

Effect: Accounts receivable were found to be misstated at year-end when the auditors requested support for various accounts. City staff were able to research and provide information and adjustments for accounts.

Recommendation: We recommend that the City assign funds to various accountants and perform monthly reconciliations to ensure receivables and other balances are accurately reflected in the financial statements.

Finding #2016-003: Capital Asset Reporting

Criteria: Governmental Accounting Standards Board No. 34: Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments, requires the reporting of capital assets. A system should be in place for the City to properly track these assets and monitor projects to be placed into service when complete.

Condition: During the audit, work was ongoing by the City finance department to record these assets, accurately record projects placed into service, and accurately report in the correct funds. Adjusting entries to prior period were required to reflect assets in the correct funds and the process was completed well into the reporting period.

Cause: Late implementation of the capital asset module in conjunction with staff turnover made it difficult for the City to implement the capital asset module in a timely manner and to provide the auditors with detail and support in a timely manner.

Effect: Capital assets reporting was prepared in an untimely manner for audit and reporting purposes. Completed projects were still being reviewed and placed into service during the audit period.

Recommendation: We recommend that the City continue to work on the capital asset module and ensure the closing of projects is completed within a reasonable amount of time after year-end. Financial close and reporting should be completed in a timely fashion.

CITY OF GALVESTON, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For The Year Ended September 30, 2016

III. - Federal Award Findings and Questioned Costs

The audit disclosed no findings to be reported.

IV. - Status of Prior-Year Findings and Questioned Costs

Finding #2015-001: Fixed Asset Reporting

Status – See finding #2016-003

V. - Views of Responsible Officials and Planned Corrective Action

Finding #2016-001: Utility Billing

Response: The finance department will be working with IT and the Utility billing department to review data from the inception of the CUSI (utility billing) software to determine if the accounts receivable balances and customer deposits were properly loaded to CUSI. They will also review the interface between CUSI and Banner (financial software) to ensure that accounts are properly mapped for the interface.

Contact Person: Tammy Jacobs, Assistant Finance Director, 409-797-3567

Estimated Completion Date: Fiscal year-end 2017

Finding #2016-002: Reconciliations

Response: Funds will be assigned to the appropriate staff. Monthly fund account reconciliations will be performed for accounts receivable, payables and other significant account balances and reviewed by either the accounting manager or the Assistant Finance Director. Past due balances will be reviewed for collectability and adjusted as appropriate.

Contact Person: Tammy Jacobs, Assistant Finance Director, 409-797-3567

Estimated Completion Date: April 2017

Finding #2016-003: Capital Assets

Response: The City implemented the capital asset module for the fiscal year ended September 30, 2016. They will continue to review the process and monitor the status of ongoing projects for completion with the help of the various departments responsible for the projects. The financial close process will begin promptly after the end of the fiscal year in time to ensure timely completion for the audit and reporting.

Contact Person: Tammy Jacobs, Assistant Finance Director, 409-797-3567

Estimated Completion Date: Fiscal year-end 2017

CITY OF GALVESTON, TEXAS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the year ended September 30, 2016

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Housing and Urban Development			
Direct			
CDBG - Entitlement Grants Cluster			
<i>Community Development Block Grant</i>	14.218	B-06-MC-48-0016	\$ 874
<i>Community Development Block Grant</i>	14.218	B-07-MC-48-0016	14,872
<i>Community Development Block Grant</i>	14.218	B-08-MC-48-0016	(2,086)
<i>Community Development Block Grant</i>	14.218	B-09-MC-48-0016	1,190
<i>Community Development Block Grant</i>	14.218	B-10-MC-48-0016	500
<i>Community Development Block Grant</i>	14.218	B-11-MC-48-0016	92,405
<i>Community Development Block Grant</i>	14.218	B-12-MC-48-0016	(69)
<i>Community Development Block Grant</i>	14.218	B-13-MC-48-0016	144,462
<i>Community Development Block Grant</i>	14.218	B-14-MC-48-0016	579,138
<i>Community Development Block Grant</i>	14.218	B-15-MC-48-0016	590,238
<i>Community Development Block Grant</i>	14.218	B-16-MC-48-0016	165,669
Total CDBG - Entitlement Grants Cluster			<u>1,587,193</u>
<i>HOME Program</i>	14.239	M-05-MC-48-0208	6,986
<i>HOME Program</i>	14.239	M-07-MC-48-0208	7,714
<i>HOME Program</i>	14.239	M-09-MC-48-0208	1,532
<i>HOME Program</i>	14.239	M-10-MC-48-0208	12,360
<i>HOME Program</i>	14.239	M-12-MC-48-0208	20,295
<i>HOME Program</i>	14.239	M-13-MC-48-0208	63,631
<i>HOME Program</i>	14.239	M-14-MC-48-0208	347,219
<i>HOME Program</i>	14.239	M-15-MC-48-0208	29,646
<i>Total</i>			<u>489,383</u>
Total Direct			<u>2,076,576</u>
Passed through Texas General Land Office			
<i>Community Development Block Grant State's Program and Entitlement Grants</i>	14.228	DRS010051	7,839,202
<i>Community Development Block Grant State's Program and Entitlement Grants Round 2.1</i>	14.228	DRS210051	10,178,054
<i>Community Development Block Grant State's Program and Entitlement Grants Round 2.2</i>	14.228	DR 2.2	2,819,636
Total passed through Texas General Land Office			<u>20,836,892</u>
Total U.S. Department of Housing and Urban Development			<u>22,913,468</u>

CITY OF GALVESTON, TEXAS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the year ended September 30, 2016

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Transportation			
Direct			
Federal Transit Cluster			
<i>Federal Transit Formula Grant</i>	20.507	TX-90-X813-00	\$ 748,781
<i>Federal Transit Formula Grant</i>	20.507	TX-04-0037-00	162,730
<i>Federal Transit Formula Grant</i>	20.507	TX-95-X032-00	270,734
<i>Federal Transit Formula Grant</i>	20.507	TX-03-0303-00	1,148,074
<i>Federal Transit Formula Grant</i>	20.507	TX-04-0113-00	601,519
<i>Federal Transit Formula Grant</i>	20.507	TX-95-X067-00	682,046
Total Federal Transit Cluster			<u>3,613,884</u>
Total Direct			<u>3,613,884</u>
Passed-through the Texas Department of Transportation (TXDOT)			
<i>Formula Grants for Rural Areas</i>	20.509	51412F7185	22,884
<i>Formula Grants for Rural Areas</i>	20.509	512XXF7056	500,000
<i>Formula Grants for Rural Areas</i>	20.509	512XXF7163	321,564
<i>Formula Grants for Rural Areas</i>	20.509	51018031216	286,191
<i>Total</i>			<u>1,130,639</u>
Transit Services Programs Cluster			
<i>Enhanced Mobility of Seniors and Individuals with Disabilities</i>	20.513	512XXF7163	46,324
<i>Enhanced Mobility of Seniors and Individuals with Disabilities</i>	20.513	512XX7056	11,997
<i>Job Access Reverse Commute</i>	20.516	51312F7216	75,068
<i>New Freedom Program</i>	20.521	51312F7168	187,082
Total Transit Services Programs Cluster			<u>320,471</u>
<i>Airport Improvement Program</i>	20.106	CSJ No1212GLVSN	1,979,740
<i>Total</i>			<u>1,979,740</u>
Total passed through Texas Department of Transportation (TXDOT)			<u>3,430,850</u>
Total U.S. Department of Transportation			<u>7,044,734</u>

CITY OF GALVESTON, TEXAS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the year ended September 30, 2016

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Justice			
Passed through the Texas Office of the Governor -			
 Criminal Justice Division			
<i>Upward Hope Academy Grant</i>	16.540	2016-JF-FX-0008	\$ 5,654
Total Passed through the Texas Office of the Governor -			5,654
 Criminal Justice Division			
Passed through Galveston County			
<i>2015 Edward Byrne Memorial Justice Assistance Grant</i>	16.738	2015-H1956-TX-AP	10,470
Total passed through Galveston County			10,470
Total U.S. Department of Justice			16,124
U.S. Department of Homeland Security			
Direct			
<i>Disaster Grants - Public Assistance Hurricane Ike</i>	97.036	PA-06-TX-1791	1,621,412
<i>Homeland Security Grant Program - HSGP</i>	97.067	EMW-2015-SS-00080	5,139
Total Direct			1,626,551
Passed through Texas Department of Public Safety			
<i>Hazard Mitigation Grant</i>	97.039	FEMA-1791-DR	1,390,874
Total Texas Department of Public Safety			1,390,874
Total U.S. Department of Homeland Security			3,017,425
Total Expenditures of Federal Awards			\$ 32,991,751

CITY OF GALVESTON, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 - Summary of Significant Accounting Policies

City of Galveston, Texas accounts for awards under federal programs primarily in the General and Special Revenue governmental funds.

In the Governmental funds, these programs are accounted for using a current financial resources measurement focus. 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 net current assets. The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments or the Uniform Guidance (2 CFR 200), wherein certain types of expenditures are not allowable or are limited to reimbursement. Pass-through entity identifying numbers are presented where available.

Federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the respective schedule. Negative amounts shown in the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures. The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 2 - Basis of Presentation

The accompanying schedule of expenditures of federal awards presents the activity of all applicable federal awards of the City of Galveston, Texas (the City). The City's reporting entity is defined in Note 1 to the City's basic financial statements. 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, change in net position or cash flows of the City.

Note 3 - Relationship to Federal Financial Reports

Grant expenditure reports as of September 30, 2016, which have been submitted to grantor agencies will, in some cases, differ slightly from amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of year-end accruals. The reports will agree at termination of the grant as the discrepancies noted are timing differences.

Note 4 - Schedule of Findings and Questioned Costs

The schedule of findings and questioned costs, including the summary of auditor's results for federal awards, is included beginning on page 6.