

**CITY OF NORTH RICHLAND HILLS, TEXAS**  
**FEDERAL AND STATE SINGLE AUDIT REPORT**  
**For the Fiscal Year Ended**  
**September 30, 2022**

# CITY OF NORTH RICHLAND HILLS, TEXAS

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**INDEPENDENT AUDITORS 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 North Richland Hills, 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 North Richland Hills, Texas (the "City"), as of and for the year ended September 30, 2022, 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 20, 2023.

**Internal Control over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Honorable Mayor and  
Members of the City Council  
City of North Richland Hills, Texas

**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.

*Whitley Penn LLP*

Fort Worth, Texas  
March 20, 2023

**INDEPENDENT AUDITORS REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL AND STATE PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES  
OF FEDERAL AND STATE AWARDS REQUIRED BY THE *UNIFORM GUIDANCE* AND  
THE STATE OF TEXAS *UNIFORM GRANT MANAGEMENT STANDARDS***

To the Honorable Mayor and  
Members of the City Council  
City of North Richland Hills, Texas

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

***Opinion on Each Major Federal and State Program***

We have audited City of North Richland Hills, Texas' (the "City") compliance with the types of requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* and the State of Texas *Uniform Grant Management Standards* that could have a direct and material effect on each of the City's major federal and state program for the year ended September 30, 2022. 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.

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 program for the year ended September 30, 2022.

***Basis for Opinion On Each Major Federal and State Program***

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), and the State of Texas *Uniform Grant Management Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal and state programs.

To the Honorable Mayor and  
Members of the City Council  
City of North Richland Hills, Texas

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State of Texas *Uniform Grant Management Standards* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, Uniform Guidance, and the State of Texas *Uniform Grant Management Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State of Texas *Uniform Grant Management Standards*, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 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 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

To the Honorable Mayor and  
Members of the City Council  
City of North Richland Hills, Texas

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 and the State of Texas *Uniform Grant Management Standards*. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2022, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 20, 2023, 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 and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and 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 basic 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 GAAS. In our opinion, the schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Fort Worth, Texas  
March 20, 2023

**CITY OF NORTH RICHLAND HILLS, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*For the Year Ended September 30, 2022*

**I. Summary of Auditors' Results**

**Financial Statements**

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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?	No
Noncompliance material to financial statements noted?	No

**Federal Awards**

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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 with major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a) ?	No

**Identification of major programs:**

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number (ALN)</u>
<b>US Department of Treasury</b> <i>American Rescue Plan Act (ARPA)</i>	21.027
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$750,000
Auditee qualified as low risk auditee?	No



**CITY OF NORTH RICHLAND HILLS, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**For the Year Ended September 30, 2022**

**I. Summary of Auditors' Results (continued)**

**State Awards**

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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 state programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the <i>Uniform Grant Management Standards</i> ?	None

Identification of major programs:

**Name of State Program**

2021 North Texas Anti-Gang Center  
 2022 North Texas Anti-Gang Center  
 2023 North Texas Anti-Gang Center

Dollar Threshold Considered Between Type A and Type B Programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

**II. Financial Statement Findings**

None reported

**III. Federal Award Findings and Questioned Costs**

None reported

**IV. State Award Findings and Questioned Costs**

None reported

**CITY OF NORTH RICHLAND HILLS, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended September 30, 2022**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<b>U.S. Department of Justice</b>			
<b>Direct Awards:</b>			
<i>Federal Asset Forfeiture Program</i>	16.922	N/A	\$ 41,103
<i>Public Safety Partnership and Community Policing Grants (TAS) 15X0406</i>	16.710	N/A	222,140
<i>Bulletproof Vest Partnership Program</i>	16.607	N/A	23,609
<i>Organized Crime Drug Enforcement Task Force Agreement</i>	16.000	N/A	39,785
<b>Pass-through from Texas Office of the Governor - Criminal Justice Division (CJD):</b>			
<i>Violence Against Women Formula Grants</i>	16.588	3367205	127,255
<i>Victims of Crime Act Formula Grant Program</i>	16.575	3544403	173,523
<b>Total U.S. Department of Justice</b>			<b>627,415</b>
<b>U.S. Department of Transportation</b>			
<b>Pass-through from Texas Department of Transportation:</b>			
<i>Highway Planning and Construction Program</i>	20.205	CSJ 0902-90-079	371,439
<b>Pass-through North Central Texas Council of Governments:</b>			
<i>NCTCOG Traffic Incident Management</i>	20.205	693JJ219300002400TX2020420	54,596
<i>Total Planning and Construction Cluster (ALN 20.205)</i>			426,035
<b>Pass-through from Texas Department of Transportation:</b>			
<i>State and Community Highway Safety Grant Program</i>	20.600	2022-Nrichland-S-1YG-00006	26,079
<i>Total Highway Safety Cluster (ALN 20.600)</i>			26,079
<b>Total U.S. Department of Transportation</b>			<b>452,114</b>
<b>U.S. Department of Treasury</b>			
<b>Direct Awards:</b>			
<i>American Rescue Plan Act (ARPA)</i>	21.027	N/A	1,259,301
<b>Total U.S. Department of Treasury</b>			<b>1,259,301</b>
<b>U.S. National Endowment for the Humanities</b>			
<b>Pass-through from Texas Library and Archives Commission:</b>			
<i>Grants to States</i>	45.310	902397	7,956
<b>Total U.S. National Endowment for the Humanities</b>			<b>7,956</b>
<b>U.S. Department of Commerce</b>			
<b>Direct Awards:</b>			
<i>Public Works and Economic Adjustment Assistance</i>	11.307	N/A	268,389
<i>Total Economic Development Cluster (ALN 11.307)</i>			268,389
<b>Total U.S. Department of Commerce</b>			<b>268,389</b>
<b>U.S. Department of Health and Human Services</b>			
<b>Direct Awards:</b>			
<i>Food and Drug Administration FDA Research</i>	93.103	N/A	549
<b>Total U.S. Department of Health and Human Services</b>			<b>549</b>
<b>U.S. Department of Homeland Security</b>			
<b>Direct Awards:</b>			
<i>US Secret Service Financial Crimes Task Force</i>	97.067	N/A	482
<b>Pass-through from the Office of the Governor - Homeland Security Grants Division:</b>			
Non-cash Assistance (Equipment):			
<i>Homeland Security Grant Program</i>	97.067	4352601	85,255
<i>Total ALN 97.067</i>			85,737
<b>Pass-through from the Texas Department of Emergency Management</b>			
<i>4586-DR-TX TX-Winter Storm Disaster Response</i>	97.036	439-52356-00	48,075
<b>Total U.S. Department of Homeland Security</b>			<b>133,812</b>
<b>Total Federal Expenditures</b>			<b>\$ 2,749,536</b>

**CITY OF NORTH RICHLAND HILLS, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (continued)**  
**For the Year Ended September 30, 2022**

<u>State Granting Agency/Grant Program</u>	<u>Grant or Identifying Number</u>	<u>Total State Expenditures</u>
<b>Texas Governor's Office - Homeland Security Grants Division</b>		
2021 North Texas Anti Gang Center	2021-TG-ST-0019	\$ 50,119
2022 North Texas Anti Gang Center	2022-TG-ST-0019	742,306
2023 North Texas Anti Gang Center	2023-TG-ST-0019	<u>104,213</u>
Total North Texas Anti Gang Center		<u>896,638</u>
Texas Intrastate Fire Mutual Aid System Reimbursement	N/A	<u>34,755</u>
<b>Total Texas Governor's Office - Homeland Security Grants Division</b>		<u>931,393</u>
<b>Texas Attorney General's Office</b>		
State Asset Forfeitures	N/A	35,323
<b>Texas Department of Transportation</b>		
North Richland Hills - NETS	URB 2002 (02) 51309020220	116,134
<b>Texas Comptroller of Public Accounts</b>		
LEOSE - Law Enforcement Officer Standards and Education - Peace Officer	N/A	<u>3,500</u>
<b>Total State Awards</b>		<u><u>\$ 1,086,350</u></u>

**CITY OF NORTH RICHLAND HILLS, TEXAS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**For the Year Ended September 30, 2022**

**Note 1 - Summary of Significant Accounting Policies**

The City accounts for awards under federal and state programs in the General, Special Revenue, and in the local Capital Projects 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 the cost principles contained in the Uniform Guidance and State of Texas *Uniform Grant Management Standards*, wherein certain types of expenditures are not allowable or are limited to reimbursement. Pass-through entity identifying numbers are presented where available.

Federal and state grant funds 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. The City has elected not to use a 10 percent de minimis indirect cost rate under the Uniform Guidance on an overall basis. Certain grants allow for a negotiated indirect cost rate using a consistent basis, which has been implemented.

**Note 2 - Basis of Presentation**

The accompanying schedule of expenditures of federal and state awards (the "Schedule") includes the federal and state grant activity of the City under programs of federal and state government for the year ended September 30, 2022. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance and State of Texas *Uniform Grant Management Standards*. Because the schedule presents on a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City.

**CITY OF NORTH RICHLAND HILLS, TEXAS**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
***For the Year Ended September 30, 2022***

Federal regulations, Title 2 U.S. Code of Federal Regulations Section 200.511 states, "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings." The summary schedule must report the status of the following:

- All audit findings included in the prior audit's schedule of findings and questioned costs and
- All audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected.

**I. Prior Audit Findings**

**Finding #2021-001 - Significant Deficiency in Internal Control over Financial Reporting – Bank Reconciliations**

Status of Prior Year Finding: Corrective action was taken by the City's Finance Department through significant improvements to the monthly bank reconciliation process.

**CITY OF NORTH RICHLAND HILLS, TEXAS**

***CORRECTIVE ACTION PLAN***

***For the Year Ended September 30, 2022***

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, "At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in 200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports."

**I. Corrective Action Plan**

Not applicable