SANGER CITY COUNCIL COMMUNICATION

DATE: July 21, 2025

FROM: Clayton Gray, Chief Financial Officer

AGENDA ITEM: Consideration, acknowledgement, and acceptance of the Federal Single Audit Report from BrooksWatson & Co. for the fiscal year ending September 30, 2025.

SUMMARY:

- During Fiscal Year 2024–2025, the City expended $3,367,414 in funding received through the Texas Department of Transportation (TxDOT) for construction projects on FM 455 and IH 35. City management was not aware that a portion of the state funding was derived from federal sources.
- During the audit of the City's financial statements for the fiscal year ended September 30, 2025, BrooksWatson & Co. determined that a Single Audit was required due to the expenditure of federal funds and conducted the audit in accordance with applicable federal requirements.
- Audit Results
  - The auditors issued an unmodified opinion on compliance. As stated on page 3 of the report: "In our opinion, the City of Sanger, Texas complied, in all material aspects, with the 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, 2025.
  - The auditors also concluded on page 6 that: "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."
- Audit Finding 2025-001 (Page 9) notes that the auditors "encountered accounts that required adjustment to be consistent with GAAP." This is a recurring audit finding and is required whenever the auditors propose even a single adjustment to the City's financial records.
- Audit Finding 2025-002 (Page 10) notes that "The City is responsible for notifying contractors and subcontractors of the requirements to comply with the Wage Rate Requirements indicated within the Uniform Guidance, and to obtain copies of certified payrolls. The City did not notify contractors and subcontractors of this requirement and did not obtain copies of certified payrolls." Because the City had not previously administered federally funded projects subject to these requirements, management was unaware of these additional compliance obligations. During the audit, however, the auditors were able to obtain the required certified payroll documentation.
- As a corrective action, The City has implemented a grant compliance checklist requiring staff to determine whether state or other grant funding includes federal dollars. This process will ensure that all applicable federal requirements are identified at the outset of a project, including providing required notices to contractors and subcontractors and obtaining certified payroll documentation when applicable.

FISCAL INFORMATION:

N/A

RECOMMENDED MOTION OR ACTION:

- Staff recommends that the City Council accept the Federal Single Audit Report for the fiscal year ending September 30, 2025.

ATTACHMENTS:

- Federal Single Audit Report