

CITY OF BEAUMONT, TEXAS
FEDERAL SINGLE AUDIT REPORT
Year Ended September 30, 2014

CITY OF BEAUMONT, TEXAS

FEDERAL SINGLE AUDIT REPORT

Year Ended September 30, 2014

	<u>Page</u>
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 <i>Government Auditing Standards</i>	1
Independent Auditors' Report on Compliance for each Major Program and on Internal Control over Compliance Required by <i>OMB Circular A-133</i>	3
Schedule of Findings and Questioned Costs	6
Schedule of Expenditures of Federal Awards	8
Notes on Accounting Policies for Federal Awards	11

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 Beaumont, 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 Beaumont, Texas (the "City") as of and for the year ended September 30, 2014, and the related notes to financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 20, 2015.

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 opinion on the financial statements, but not for the purpose of expressing an opinion 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 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 charges 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 over financial reporting 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.

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

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. The 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

March 20, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited City of Beaumont, Texas (the "City") compliance with the types of compliance requirements described in the OMB *Circular A-133 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, 2014. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the City Council
City of Beaumont, Texas

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, 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, 2014.

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 a 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 OMB Circular A-133, 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 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Schedule of Expenditures of Federal Awards required by OMB A-133

We have audited the financial statements of the governmental activities, business-type activities, component units, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended September 30, 2014, 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, 2015, 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 OMB Circular A-133 and is not a required part of the 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 financial statements or to the 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.

Whitley Penn LLP

March 20, 2015

CITY OF BEAUMONT, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2014

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?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

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 .510(a) of OMB Circular A-133?	None

Identification of Major Programs:

CFDA Number	Name of Federal Program
11.307	Economic Adjustment Assistance Small Business Revolving Loan Fund
14.239	Home Investment Partnerships Program
20.507	Federal Transit Formula Grant
93.069	Public Health Emergency Preparedness Grants
93.268	Immunization Grants
97.056	FY 2009 Port Security Grant Program
97.056	FY 2011 Port Security Grant Program
97.056	FY 2012 Port Security Grant Program

Dollar threshold used to distinguish between type A and type B federal programs: \$574,696

Auditee qualified as low-risk auditee? Yes

CITY OF BEAUMONT, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(continued)*

Year Ended September 30, 2014

II. - Financial Statement Findings

Not Applicable.

III. - Federal Award Findings and Questioned Costs

The audit disclosed no findings to be reported.

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

There are no prior year findings.

V. - Views of Responsible Officials and Planned Corrective Action

Not Applicable

CITY OF BEAUMONT, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2014

<u>Project Identifying Number</u>	<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
FEDERAL AWARDS			
U.S. Department of Agriculture			
Passed-Through the Texas Department of State Health Services:			
2014-045041-001	<i>Special Supplemental Food Program for Women, Infants and Children (WIC)</i>	10.557	\$ 735,073
	Total Passed-Through the Texas Department of State Health Services		<u>735,073</u>
Passed-Through Texas Department of Agriculture:			
75-06002	<i>Summer Food Service Program for Children</i>	10.559	64,456
	Total Passed-Through Texas Department of Agriculture		<u>64,456</u>
	Total U.S. Department of Agriculture		<u>799,529</u>
U.S. Department of Commerce			
Direct Program:			
08-39-02536	<i>Economic Adjustment Assistance Small Business Revolving Loan Fund</i>	11.307	556,087
	Total U.S. Department of Commerce		<u>556,087</u>
U.S. Department of Housing and Urban Development (HUD)			
Direct Programs:			
B-09-MC-48-0003	<i>Community Development Block Grant Program (CDBG) *</i>	14.218	1,841
B-10-MC-48-0003	<i>Community Development Block Grant Program (CDBG) *</i>	14.218	10,785
B-11-MC-48-0003	<i>Community Development Block Grant Program (CDBG) *</i>	14.218	45,217
B-12-MC-48-0003	<i>Community Development Block Grant Program (CDBG) *</i>	14.218	190,810
B-13-MC-48-0003	<i>Community Development Block Grant Program (CDBG) *</i>	14.218	587,833
B-14-MC-48-0003	<i>Community Development Block Grant Program (CDBG) *</i>	14.218	965,462
TX0219L6E031205	<i>Shelter Plus Care - Renewal Program</i>	14.238	43,901
TX0219L6E031306	<i>Shelter Plus Care - Renewal Program</i>	14.238	97,206
M-10-MC-48-0201	<i>HOME Investment Partnerships Program</i>	14.239	117,046
M-11-MC-48-0201	<i>HOME Investment Partnerships Program</i>	14.239	148,288
M-12-MC-48-0201	<i>HOME Investment Partnerships Program</i>	14.239	313,248
M-13-MC-48-0201	<i>HOME Investment Partnerships Program</i>	14.239	26,344
M-14-MC-48-0201	<i>HOME Investment Partnerships Program</i>	14.239	7,178
E-12-MC-48-0003	<i>Emergency Solutions Grants Program</i>	14.231	13,829
	Total Direct Programs		<u>2,568,988</u>
Passed-Through the Texas General Land Office:			
12-214-000-5514	<i>Community Development Block Grant Disaster Recovery *</i>	14.218	3,870,729
13-239-000-7429	<i>Community Development Block Grant Disaster Recovery *</i>	14.218	6,377,248
	Total Passed-Through the Texas General Land Office		<u>10,247,977</u>
Passed-Through the Texas Department of Housing and Community Affairs:			
42130001767	<i>2013 Emergency Solutions Grant Program</i>	14.231	178,799
	Total Passed-Through the Texas Department of Housing and Community Affairs		<u>178,799</u>
Passed-Through the Texas Department of Housing and Community Affairs:			
77090000163	<i>HUD FY 2008 Recovery Act Texas Neighborhood Stabilization Program (NSP) - ARRA</i>	14.256	21,776
	Total Passed-Through the Texas Department of Housing and Community Affairs		<u>21,776</u>
	Total U.S. Department of Housing and Urban Development (HUD)		<u>13,017,540</u>

CITY OF BEAUMONT, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)

Year Ended September 30, 2014

Project Identifying Number	Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Expenditures
FEDERAL AWARDS (Continued)			
U.S. Department of Justice			
Direct Programs:			
N/A	<i>Asset Forfeiture</i>	16.000	\$ 192,981
2011-DJ-BX-3245	<i>Edward Byrne Memorial Justice Assistance Grant (JAG) 2011</i>	16.738	192
2012-DJ-BX-0253	<i>Edward Byrne Memorial Justice Assistance Grant (JAG) 2012</i>	16.738	47,386
2013-DJ-BX-1070	<i>Edward Byrne Memorial Justice Assistance Grant (JAG) 2013</i>	16.738	4,851
2011-GP-BX-0051	<i>Eastern District of Texas PSN Initiative</i>	16.609	33,921
2012-MC-FX-K047	<i>Texas Office of the Attorney General Southern ICAC Task Force</i>	16.543	788
Total U.S. Department of Justice			<u>280,119</u>
U.S. Department of Transportation			
Direct Programs:			
TX-90-Y024-00	<i>Urban Mass Transportation Capital and Operating Assistance Formula Grant</i>	20.507	12,684
TX-90-Y060-00	<i>Urban Mass Transportation Capital and Operating Assistance Formula Grant</i>	20.507	2,025,226
Total Direct Programs			<u>2,037,910</u>
Passed-Through the Texas Department of Transportation:			
2014-Beaumont-S-1YG-0086	<i>STEP 2014 Wave Comprehensive **</i>	20.600	61,584
2014-Beaumont-IDM-00015	<i>STEP - Impaired Driving Mobilization **</i>	20.601	23,872
RT12003	<i>Klein Park Walk Trail</i>	20.219	75,000
Total Passed-Through the Texas Department of Transportation			<u>160,456</u>
Total U.S. Department of Transportation			<u>2,198,366</u>
U.S. Department of Health and Human Services			
Passed-Through the Texas Department of State Health Services:			
2014-045396-001	<i>Centers for Disease Control and Prevention Investigations and Technical Assistance (Preparedness and Prevention Community Preparedness Section/Bioterrorism Discretionary) - September 2013 - August 2014)</i>	93.069	22,993
2014-001278-00	<i>Centers for Disease Control and Prevention Investigations and Technical Assistance (Preparedness and Prevention Community Preparedness Section/Bioterrorism Discretionary) - September 2013 - August 2014)</i>	93.069	126,495
2015-001278-00	<i>Centers for Disease Control and Prevention Investigations and Technical Assistance (PHEP) - September 2014 - August 2015</i>	93.069	9,046
2014-001382-00	<i>TB/PC - September 2013 - August 2014</i>	93.116	21,679
2014-001224-00	<i>IMM - Locals - September 2013 - August 2014</i>	93.268	189,951
2015-001224-00	<i>IMM - Locals - September 2014 - August 2015</i>	93.268	18,625

CITY OF BEAUMONT, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)

Year Ended September 30, 2014

Project Identifying Number	Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Expenditures
FEDERAL AWARDS (Continued)			
U.S. Department of Homeland Security			
Direct Programs:			
EMW-2012-FO-02597	<i>FY 2012 Assistance to Firefighters Grant Program</i>	97.044	\$ 700
EMW-2012-FO-05946	<i>FY 2012 Assistance to Firefighters Grant Program</i>	97.044	48,000
Total Direct Programs			<u>48,700</u>
Passed-Through the Texas Department of Public Safety:			
EMW-2013-SS-00045	<i>State Homeland Security Program 2013</i>	97.067	84,301
Total Passed-Through the Texas Department of Public Safety			<u>84,301</u>
Passed-Through the Office of State and Local Government Coordination and Preparedness:			
2009-PU-T9-K002	<i>FY 2009 Port Security Grant Program</i>	97.056	199,601
EMW-2011-PU-K00134-S01	<i>FY 2011 Port Security Grant Program</i>	97.056	503,953
EMW-2012-PU-00347-S01	<i>FY 2012 Port Security Grant Program</i>	97.056	1,062,381
Total Passed-Through the Office of State and Local Government Coordination and Preparedness			<u>1,765,935</u>
Passed-Through the Governor's Division of Emergency Management:			
EMW-2012-SS-00018-S01	<i>State Homeland Security Program 2012</i>	97.073	17,168
Total Passed-Through the Governor's Division of Emergency Management			<u>17,168</u>
Total U.S. Department of Homeland Security			<u>1,916,104</u>
Total Expenditures of Federal Awards			<u>\$ 19,156,534</u>

CITY OF BEAUMONT, TEXAS

NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS

A. Basis of Accounting

The City of Beaumont, Texas, accounts for awards under federal programs primarily in the General, Capital Projects 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 the cost principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, 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.

B. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City under programs of the federal government for the year ended September 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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, changes in net position or cash flows of the City.

C. U.S. Department of Commerce EDA - Small Business Revolving Loan Fund

The value of loans outstanding at September 30, 2014, is \$80,499.

D. Loan Guarantees

The outstanding balance of the HUD Sec 108 loan guarantee at September 30, 2014, is \$4,510,000.

E. WIC Program

The Women, Infants and Children's (WIC) program distributes Lone Star Cards as part of its operations. The number of cards on hand as of September 30, 2014, is 910. There is no monetary value to these cards until issued.