

City of Beaumont, Texas

Single Audit Reports

September 30, 2015



City of Beaumont, Texas
Year Ended September 30, 2015

Contents

Schedule of Expenditures of Federal Awards	1
Notes to Schedule of Expenditures of Federal Awards	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	7
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 OMB Circular A-133 – Independent Auditor's Report	9
Schedule of Findings and Questioned Costs.....	12
Summary Schedule of Prior Audit Findings.....	14

City of Beaumont, Texas
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2015

Cluster Program	CFDA Number	Grant or Identifying Number	Amount
U. S. Department of Agriculture			
Passed-Through the Texas Department of State			
Health Services:			
<i>Special Supplemental Nutrition Program for Women, Infants and Children (WIC)</i>	10.557	2015-047276-001A	\$ 642,441
Total Passed-Through the Texas Department of State Health Services			<u>642,441</u>
Passed-Through Texas Department of Agriculture:			
<i>Summer Food Service Program for Children</i>	10.559	75-06002-01500	65,960
Total Passed-Through Texas Department of Agriculture			<u>65,960</u>
Total U.S. Department of Agriculture			<u>708,401</u>
U.S. Department of Commerce			
Direct Program:			
<i>Economic Adjustment Assistance Small Business Revolving Loan Fund</i>	11.307	08-39-02536	557,773
Total U.S. Department of Commerce			<u>557,773</u>
U. S. Department of Housing and Urban Development			
Direct Program:			
<i>Community Development Block Grants/ Entitlement Grants</i>	14.218	B-12-MC-48-0003	37,232
<i>Community Development Block Grants/ Entitlement Grants</i>	14.218	B-13-MC-48-0003	77,895
<i>Community Development Block Grants/ Entitlement Grants</i>	14.218	B-14-MC-48-0003	334,532
<i>Community Development Block Grants/ Entitlement Grants</i>	14.218	B-15-MC-48-0003	928,398
<i>Shelter Plus Care - Renewal Program</i>	14.238	TX0219L6E031306	47,582
<i>Shelter Plus Care - Renewal Program</i>	14.238	TX0219L6E031407	104,945
<i>Home Investment Partnerships Program</i>	14.239	M-10-MC-48-0201	15,575
<i>Home Investment Partnerships Program</i>	14.239	M-11-MC-48-0201	126,735
<i>Home Investment Partnerships Program</i>	14.239	M-12-MC-48-0201	45,559
<i>Home Investment Partnerships Program</i>	14.239	M-13-MC-48-0201	137,112
<i>Home Investment Partnerships Program</i>	14.239	M-14-MC-48-0201	108,443
<i>Home Investment Partnerships Program</i>	14.239	M-15-MC-48-0201	8,914
<i>FY 2008 Economic Development Initiative - Special Project Grant (EDI-SP)</i>	14.251	B-08-SP-TX-0185	33,331
Total Direct Programs			<u>2,006,253</u>

The accompanying notes are an integral part of this schedule.

City of Beaumont, Texas
Schedule of Expenditures of Federal Awards (Continued)
Year Ended September 30, 2015

Cluster Program	CFDA Number	Grant or Identifying Number	Amount
Passed-Through the Texas General Land Office:			
<i>Community Development Block Grants/State's program</i>	14.228	12-214-000-5514	\$ 7,116,950
<i>Community Development Block Grants/State's program</i>	14.228	13-239-000-7429	8,050,964
Total Passed-Through the Texas General Land Office			<u>15,167,914</u>
Passed-Through the Texas General Land Office and the South East Texas Regional Planning Commission:			
<i>Community Development Block Grants/State's program</i>	14.228	12-496-000-6694	28,400
Total Passed-Through the Texas General Land Office and the South East Texas Regional Planning Commission			<u>28,400</u>
Passed-Through the Texas Department of Housing and Community Affairs:			
<i>2010 Emergency Solutions Grants Program</i>	14.231	99100002074	18,775
<i>2013 Emergency Solutions Grants Program</i>	14.231	42130001767	33,317
<i>2014 Emergency Solutions Grants Program</i>	14.231	42140002052	163,180
Total Passed-Through the Texas Department of Housing and Community Affairs			<u>215,272</u>
Total U.S. Department of Housing and Urban Development			<u>17,417,839</u>
U. S. Department of Justice			
Direct Programs:			
<i>Asset Forfeiture</i>	16.000	N/A	135,166
<i>Edward Byrne Memorial Justice Assistance Grant (2012)</i>	16.738	2012-DJ-BX-0253	10,961
<i>Edward Byrne Memorial Justice Assistance Grant (2013)</i>	16.738	2013-DJ-BX-1070	37,651
<i>Missing Children's Assistance</i>	16.543	2012-MC-FX-K047	11,801
Total Direct Programs			<u>195,579</u>
Total U. S. Department of Justice			<u>195,579</u>
U. S. Department of Transportation			
Direct Programs:			
<i>Federal Transit Formula Grants</i>	20.507	TX-90-BMT-2015	2,021,901
Total Direct Programs			<u>2,021,901</u>

The accompanying notes are an integral part of this schedule.

City of Beaumont, Texas
Schedule of Expenditures of Federal Awards (Continued)
Year Ended September 30, 2015

Cluster Program	CFDA Number	Grant or Identifying Number	Amount
Passed-Through the Texas Department of Transportation:			
<i>State and Community Highway Safety</i>	20.600	2015-Beaumont-S-1YG-0101	\$ 63,604
Total Passed-Through the Texas Department of Transportation			63,604
Total U. S. Department of Transportation			2,085,505
Institute of Museum and Library Services			
Passed-Through the Texas State Library and Archives Commission:			
<i>Grants to States</i>	45.310	723-15004	18,040
Total Institute of Museum and Library Services			18,040
U. S. Department of Health and Human Services			
Passed-Through the Texas Department of State Health Services:			
<i>Public Health Emergency Preparedness</i>	93.069	2015-047175-001	13,038
<i>Public Health Emergency Preparedness</i>	93.069	2015-001278-00	105,686
<i>Public Health Emergency Preparedness</i>	93.069	2015-003622-00	48
<i>Public Health Emergency Preparedness</i>	93.069	2016-001278-00	25,667
<i>Project Grants and Cooperative Agreements for Tuberculosis Control Programs</i>	93.116	2015-001382-001	26,069
<i>Immunization Cooperative Agreements</i>	93.268	2015-001224-00	171,600
<i>Immunization Cooperative Agreements</i>	93.268	2016-001224-00	14,678
Total Passed-Through the Texas Department of State Health Services			356,786
Total U. S. Department of Health and Human Services			356,786
U. S. Department of Homeland Security			
Passed-Through the Texas Department of Public Safety:			
<i>Emergency Management Performance Grant (EMPG)</i>	97.042	15TX-EMPG-0390	47,393
<i>Homeland Security Grant Program</i>	97.067	EMW-2014-SS-00029	188,831
Total Passed-Through the Texas Department of Public Safety			236,224

The accompanying notes are an integral part of this schedule.

City of Beaumont, Texas
Schedule of Expenditures of Federal Awards (Continued)
Year Ended September 30, 2015

Cluster Program	CFDA Number	Grant or Identifying Number	Amount
Passed-Through the Texas Water Development Board:			
<i>Flood Mitigation Assistance Grant</i>	97.029	EMT-2014-FM-E001	\$ 567,909
Total Passed-Through the Texas Water Development Board			<u>567,909</u>
Total U. S. Department of Homeland Security			<u>804,133</u>
Total Federal Awards			<u><u>\$ 22,144,056</u></u>

The accompanying notes are an integral part of this schedule.

City of Beaumont, Texas
Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2015

A. Basis of Presentation

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

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such 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 as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

B. Basis of Accounting

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Beaumont, Texas, under programs of the federal government for the year ended September 30, 2015. The accompanying notes are an integral part of this Schedule. 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 City of Beaumont, Texas, it is not intended to and does not present the financial position, changes in net assets or cash flows of City of Beaumont, Texas.

C. Loans

CFDA Number	Program Name	Outstanding Balance at September 30, 2015
11.307	U.S. Department of Commerce EDA – Small Business Revolving Loan Fund	\$ 127,972

D. Loan Guarantees

The outstanding balance of the HUD Sec 108 loan guarantee at September 30, 2015 is \$3,530,000.

City of Beaumont, Texas
Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2015

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, 2015 is 368. There is no momentary value to these cards until issued.

F. Subrecipients

None.

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based on an
Audit of the Financial Statements Performed in Accordance With
Government Auditing Standards**

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 the City of Beaumont, Texas (the City), as of and for the year ended September 30, 2015, 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 24, 2016, which contained a reference to an emphasis of matter paragraph regarding a change in accounting principle.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered the City's 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 City'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 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. However, we identified a deficiency in internal control as described in the accompanying schedule of findings and questioned costs as item 2005-01 that we consider to be a significant deficiency in internal control.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

City of Beaumont, Texas' Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Houston, Texas
March 24, 2016

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 OMB Circular A-133

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of City of Beaumont, Texas (the City) with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015. 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 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.

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, 2015.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our 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 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 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.

The Honorable Mayor and
Members of the City Council
City of Beaumont, Texas
Page 11

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 24, 2016, which contained an unmodified opinion 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 OMB Circular A-133 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 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 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.

BKD, LLP

Houston, Texas
March 24, 2016

City of Beaumont, Texas
Schedule of Findings and Questioned Costs
Year Ended September 30, 2015

Summary of Auditor's Results

1. The opinion(s) expressed in the independent auditor's report was:

Unmodified Qualified Adverse Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)? Yes None reported

Material weakness(es)? Yes No

3. Noncompliance material to the financial statements was disclosed by the audit? Yes No

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:

Significant deficiency(ies)? Yes None reported

Material weakness(es)? Yes No

5. The opinion expressed in the independent auditor's report on compliance for major federal awards was:

Unmodified Qualified Adverse Disclaimer

6. The audit disclosed findings required to be reported by OMB Circular A-133? Yes No

7. The City's major programs were:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grants/ Entitlement Grants
14.228	Community Development Block Grants/State's program

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$664,322.

9. The city qualified as a low-risk auditee as that term is defined in OMB Circular A-133? Yes No

City of Beaumont, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2015

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
2015-001	<p>Criteria or Specific Requirement: Management is responsible for establishing and maintaining effective internal controls over the Schedule of Expenditures of Federal Awards (SEFA).</p> <p>Condition: Adjustments to the SEFA were necessary to correct the CFDA number on three federal awards under one program.</p> <p>Context: An accurate SEFA is critical to determining proper major programs.</p> <p>Effect: The City's SEFA could be reporting inaccurate federal expenditures and inaccurate CFDA numbers. In addition, the schedules may be incomplete due to unknown awards. An inaccurate SEFA could result in major programs not being properly tested each year.</p> <p>Cause: The City's controls regarding the preparation, review and approval of the SEFA did not operate effectively.</p> <p>Recommendation: We recommend that the City evaluate and implement enhancements to its controls, to the extent necessary, to ensure that the SEFA is complete and accurate.</p> <p>Views of Responsible Officials and Planned Corrective Actions: The City is working on implementing and documenting appropriate controls regarding the preparation, review and approval of the year-end SEFA in order to ensure accurate schedules.</p>

City of Beaumont, Texas
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2015

**Reference
Number**

Status

No matters are reportable.