

City of Beaumont, Texas

Single Audit Reports

September 30, 2016



City of Beaumont, Texas
September 30, 2016

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City of Beaumont, Texas
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2016

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
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	2016-048771-001	\$ -	\$ 603,888
Total Passed Through the Texas Department of State Health Services			<u>0</u>	<u>603,888</u>
Passed Through the Texas Department of Agriculture:				
<i>Summer Food Service Program for Children Child Nutrition Cluster</i>	10.559	75-06002	-	63,308
Total Passed Through the Texas Department of Agriculture			<u>0</u>	<u>63,308</u>
Total U.S. Department of Agriculture			<u>0</u>	<u>667,196</u>
U.S. Department of Commerce				
Direct Program:				
<i>Economic Adjustment Assistance Small Business Revolving Loan Fund Economic Development Cluster</i>	11.307		-	557,950
Total U.S. Department of Commerce			<u>0</u>	<u>557,950</u>
U.S. Department of Housing and Urban Development				
Direct Programs:				
<i>CDBG - Entitlement Grants Cluster:</i>				
<i>Community Development Block Grants/Entitlement Grants</i>	14.218		-	10,975
<i>Community Development Block Grants/Entitlement Grants</i>	14.218		-	33,307
<i>Community Development Block Grants/Entitlement Grants</i>	14.218		46,429	288,026
<i>Community Development Block Grants/Entitlement Grants</i>	14.218		-	886,704
Total CDBG - Entitlement Grants Cluster			<u>46,429</u>	<u>1,219,012</u>
<i>FY 2014 Continuum of Care Program Grant</i>	14.267		31,467	31,467
<i>FY 2015 Continuum of Care Program Grant</i>	14.267		82,747	82,747
<i>Home Investment Partnerships Program</i>	14.239		214,795	214,795
<i>Home Investment Partnerships Program</i>	14.239		191,954	288,700
<i>Home Investment Partnerships Program</i>	14.239		286	86,863
<i>Home Investment Partnerships Program</i>	14.239		-	15,905
Total Direct Programs			<u>567,678</u>	<u>1,939,489</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, 2016

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Passed Through the Texas General Land Office:				
<i>Community Development Block Grants/State's Program</i>	14.228	12-214-000-5514	\$ -	\$ 1,623,572
<i>Community Development Block Grants/State's Program</i>	14.228	13-239-000-7429	-	1,537,487
Total Passed Through the Texas General Land Office			<u>0</u>	<u>3,161,059</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	-	11,400
Total Passed Through the Texas General Land Office and the South East Texas Regional Planning Commission			<u>0</u>	<u>11,400</u>
Total U.S. Department of Housing and Urban Development			<u>567,678</u>	<u>5,111,948</u>
U.S. Department of Justice				
Direct Programs:				
<i>Asset Forfeiture</i>	16.000		-	136,007
<i>Edward Byrne Memorial Justice Assistance Grant (2013)</i>	16.738		-	16,566
<i>Edward Byrne Memorial Justice Assistance Grant (2014)</i>	16.738		18,241	18,241
<i>Missing Children's Assistance</i>	16.543		-	8,788
Total Direct Programs			<u>18,241</u>	<u>179,602</u>
Total U.S. Department of Justice			<u>18,241</u>	<u>179,602</u>
U.S. Department of Transportation				
Direct Program:				
<i>Federal Transit Formula Grants</i>				
<i>Federal Transit Cluster</i>	20.507		-	2,066,526
Total Direct Program			<u>0</u>	<u>2,066,526</u>
Passed Through the Texas Department of Transportation:				
<i>Highway Planning and Construction Cluster</i>	20.205	STP2011(247)TE 0920-38-239	-	653,910
<i>State and Community Highway Safety</i>				
<i>Highway Safety Cluster</i>	20.600	2016-Beaumont-S-1YG-0006	-	82,607
Total Passed Through the Texas Department of Transportation			<u>0</u>	<u>736,517</u>
Total U.S. Department of Transportation			<u>0</u>	<u>2,803,043</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, 2016

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
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	2015-003622-00	\$ -	\$ 19,342
<i>Public Health Emergency Preparedness</i>	93.069	2016-001278-02	-	145,848
<i>Public Health Emergency Preparedness</i>	93.069	2016-004027-00	-	41,217
<i>Project Grants and Cooperative Agreements for Tuberculosis Control Programs</i>	93.116	2015-001382-01	-	8,362
<i>Project Grants and Cooperative Agreements for Tuberculosis Control Programs</i>	93.116	2016-001382-00	-	20,019
<i>Immunization Cooperative Agreements</i>	93.268	2016-001224-00	-	170,125
<i>Immunization Cooperative Agreements</i>	93.268	2016-001229-01	-	15,778
<i>State Partnership Grant Program to Improve Minority Health</i>	93.296	STTMP151120-01-00	-	23,253
Total Passed Through the Texas Department of State Health Services			<u>0</u>	<u>443,944</u>
Total U.S. Department of Health and Human Services			<u>0</u>	<u>443,944</u>
U.S. Department of Homeland Security				
Direct Program:				
<i>FY 2014 Port Security Grant Program</i>	97.056		-	506,400
Total Direct Program			<u>0</u>	<u>506,400</u>
Passed Through the Texas Department of Public Safety:				
<i>Emergency Management Performance Grant (EMPG)</i>	97.042	16TX-EMPG-0390	-	47,123
<i>Homeland Security Grant Program</i>	97.067	EMW-2015-SS-00080	-	208,473
Total Passed Through the Texas Department of Public Safety			<u>0</u>	<u>255,596</u>
Passed Through the Texas Water Development Board:				
<i>Flood Mitigation Assistance Grant</i>	97.029	EMT-2014-FM-E001	-	5,716
Total Passed Through the Texas Water Development Board			<u>0</u>	<u>5,716</u>
Total U.S. Department of Homeland Security			<u>0</u>	<u>767,712</u>
Total Federal Awards			<u>\$ 585,919</u>	<u>\$ 10,531,395</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, 2016

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Beaumont, Texas (the City), under programs of the federal government for the year ended September 30, 2016. The accompanying notes are an integral part of this Schedule. 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, changes in net position or cash flows of the City.

B. Basis of Accounting

The City 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*, or the cost principles contained in the Uniform Guidance, 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. The City has elected not to use the 10 percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

C. Loans

The federal loan program listed subsequently is administered directly by the City, and balances and transactions relating to these programs are included in the City's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. Figures used in this calculation are as shown below:

$$[\$126,500 + \$706,813 + \$3,612] \times [\$500,000 / \$750,000] = \$557,950$$

City of Beaumont, Texas
Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2016

The balance of loans outstanding at September 30, 2016, consist of:

CFDA Number	Program Name	Outstanding Balance at September 30, 2016
11.307	U.S. Department of Commerce EDA – Small Business Revolving Loan Fund	\$ 126,500

D. Loan Guarantees

The outstanding balance of the HUD Section 108 loan guarantee at September 30, 2016, is \$2,470,000.

E. Women, Infants and Children's Program

The Women, Infants and Children's program distributes Lone Star Cards as part of its operations. The number of cards on hand as of September 30, 2016, is 321. There is no momentary value to these cards until issued.

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 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, 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 Beaumont Firemen's Relief and Retirement Fund, a component unit included in the financial statements of the aggregate remaining fund information, as described in our report on the City's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Beaumont Firemen's Relief and Retirement Fund, a component unit included in the financial statements of the aggregate remaining fund information, were not audited in accordance with *Government Auditing Standards*.

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

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

We noted certain matters that we reported to the City's management in a separate letter dated March 22, 2017.

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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Houston, Texas
March 22, 2017

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 Uniform Guidance - 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 City of Beaumont, Texas's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended September 30, 2016. The City's major federal program is 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, contracts, 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 the City's major federal program 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.

Opinion on 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 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 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 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The Honorable Mayor and
Members of the City Council
City of Beaumont, Texas
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Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 22, 2017, which contained an unmodified opinion on those financial statements and a reference to the reports of other auditors. 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 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 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 22, 2017

City of Beaumont, Texas
Schedule of Findings and Questioned Costs
Year Ended September 30, 2016

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) 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 considered material to the financial statements was disclosed by the audit? Yes No

Federal

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 programs was:

Unmodified Qualified Adverse Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? Yes No

7. The City's major program was:

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

City of Beaumont, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2016

- 8. The threshold used to distinguish between Type A and Type B federal programs was \$750,000.
- 9. The City qualified as a low-risk auditee? Yes No

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
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No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
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No matters are reportable.

City of Beaumont, Texas
Schedule of Prior Audit Findings
Year Ended September 30, 2016

Reference Number	Status
2015-001	Corrective action was taken.