

CITY OF BEAUMONT, TEXAS

STATE SINGLE AUDIT REPORT

Year Ended September 30, 2014

CITY OF BEAUMONT, TEXAS

STATE SINGLE AUDIT REPORT

Year Ended September 30, 2014

Table of Contents

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 in Accordance with the State of Texas Uniform Grant Management Standards Chapter IV <i>Texas State Single Audit Circular</i>	3
Schedule of Findings and Questioned Costs	6
Schedule of Expenditures of State Awards	8
Notes on Accounting Policies for State Awards	9

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, the aggregate remaining fund information, and the related notes to the financial statements, of City of Beaumont, Texas (the "City") as of and for the year ended September 30, 2014, 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 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 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;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE
SCHEDULE OF EXPENDITURES OF STATE AWARDS REQUIRED BY OMB CIRCULAR A-
133 IN ACCORDANCE WITH THE STATE OF TEXAS UNIFORM GRANT MANAGEMENT
STANDARDS CHAPTER IV
TEXAS STATE SINGLE AUDIT CIRCULAR**

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

Report on Compliance for Each Major State Program

We have audited City of Beaumont, Texas (the "City") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget(OMB) Circular A-133 compliance supplement and the State of Texas Uniform Grant Management Standards Chapter IV *Texas State Single Audit Circular* that could have a direct and material effect on each of the City's major state programs for the year ended September 30, 2014. The City's major state 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 state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major state 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; the provisions of OMB Circular A-133 audits of states, local governments and non-profit organizations; and the provisions of the State of Texas Uniform Grant Management Standards Chapter IV *Texas State Single Audit Circular*. Those standards 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 state 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 state program. However, our audit does not provide a legal determination of the City's compliance.

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

Opinion on Each Major State 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 state 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 each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State of Texas Uniform Grant Management Standards Chapter IV *Texas State Single Audit Circular*, 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 state 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 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 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 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 and the State of Texas Uniform Grant Management Standards Chapter IV *Texas State Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.

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

***Report on Schedule of Expenditures of State Awards required by OMB A-133 and the State of Texas
Uniform Grant Management Standards Chapter IV Texas State Single Audit Circular***

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 as a whole. The accompanying Schedule of Expenditures of State Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and the State of Texas Uniform Grant Management Standards Chapter IV *Texas State Single Audit Circular* 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 state 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

State 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:

<u>State Grant Number</u>	<u>Name of State Program</u>
	State/Local Urban Transportation Grant Agreement Contract Number 51420F7042

Dollar threshold used to distinguish between type A and type B State programs:	\$300,000
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. - State 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 STATE AWARDS

YEAR ENDED SEPTEMBER 30, 2014

State Grantors Number	State Grantor/ Program Title	Expenditures
	STATE AWARDS	
	Texas Department of Transportation	
	Direct Programs:	
	<i>State/Local Urban Transportation Grant Agreement</i>	
	<i>Contract Number 51420F7042</i>	\$ 374,862
2014-T01-City of-00041	<i>Southeast Texas Auto Theft Task Force 2014</i>	572,133
	Total Texas Department of Transportation	<u>946,995</u>
	Texas Department of State Health Services	
	Direct Programs:	
2014-001237-00	<i>Regional and Local Services Section/Local Public Health System</i>	101,539
2015-001237-00	<i>Regional and Local Services Section/Local Public Health System</i>	6,159
2014-001392-00	<i>Tuberculosis Prevention and Control - State</i>	26,095
2015-001392-00	<i>Tuberculosis Prevention and Control - State</i>	3,117
	Total Texas Department of State Health Services	<u>136,910</u>
	Total State Awards Requiring Single Audit Act Compliance	<u>\$ 1,083,905</u>

CITY OF BEAUMONT, TEXAS

NOTES ON ACCOUNTING POLICIES FOR STATE AWARDS

A. Basis of Accounting

The City of Beaumont, Texas, accounts for awards under state 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.

State 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 state awards (the "Schedule") includes the state grant activity of the City under programs of the state government for the year ended September 30, 2014. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 and the State of Texas Uniform Grant Management Standards Chapter IV *Texas State Single Audit Circular*. 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.