

City of Beaumont, Texas

State Single Audit Reports

September 30, 2018



City of Beaumont, Texas

September 30, 2018

Contents

Schedule of Expenditures of State Awards	1
Notes to Schedule of Expenditures of State Awards.....	2
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> and the State of Texas <i>Uniform Grant Management Standards</i> – Independent Auditor’s Report	3
Report on Compliance for the Major State Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of State Awards Required by the State of Texas <i>Uniform Grant Management Standards</i> – Independent Auditor’s Report.....	5
Schedule of Findings and Questioned Costs.....	8
Summary Schedule of Prior Audit Findings.....	10

City of Beaumont, Texas
Schedule of Expenditures of State Awards
Year Ended September 30, 2018

State Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total State Expenditures
Texas Department of Transportation			
<i>State/Local Urban Transportation Grant Agreement</i>			
<i>Contract Number MGA-2017-2021-BEAUMONT-025</i>			
		\$ -	\$ 503,785
Total Texas Department of Transportation		<u>0</u>	<u>503,785</u>
Texas Department of Motor Vehicles			
<i>Southeast Texas Auto Theft Task Force 2018</i>			
<i>Contract Number 608-18-1230100</i>			
		130,300	444,546
<i>Southeast Texas Auto Theft Task Force 2019</i>			
<i>Contract Number 608-19-1230100</i>			
		<u>15,207</u>	<u>40,513</u>
Total Texas Department of Motor Vehicles		<u>145,507</u>	<u>485,059</u>
Texas Department of State Health Services			
<i>Regional and Local Services Section/Local Public Health</i>			
<i>Contract Number 537-18-0198-00001</i>			
		-	9,191
<i>Immunizations/Locals Grant Program</i>			
<i>Contract Number 537-18-0049-00001</i>			
		-	65,005
<i>Tuberculosis Prevention and Control</i>			
<i>Contract Number 537-18-0022-00001</i>			
		-	32,335
<i>Tuberculosis Prevention and Control</i>			
<i>Contract Number 537-18-0022-00001 Amendment 1</i>			
		-	2,964
<i>Influenza Virologic Surveillance Right Size Grant Program</i>			
<i>Contract Number 537-18-0277-00001</i>			
		-	2,803
<i>Zoonosis Animal Friendly Grant Program</i>			
<i>Contract Number 537-18-0381-00001</i>			
		-	12,983
<i>Zoonosis Animal Friendly Grant Program</i>			
<i>Contract Number 537-18-0381-00001 Amendment 2</i>			
		<u>-</u>	<u>1,589</u>
Total Texas Department of State Health Services		<u>0</u>	<u>126,870</u>
Texas Water Development Board			
<i>Early Warning System Plan and a Flood Protection Plan</i>			
<i>Contract Number 1600012036</i>			
		-	112,387
Total Texas Water Development Board		<u>0</u>	<u>112,387</u>
Total State Financial Assistance		<u>\$ 145,507</u>	<u>\$ 1,228,101</u>

The accompanying notes are an integral part of this Schedule.

City of Beaumont, Texas
Notes to Schedule of Expenditures of State Awards
Year Ended September 30, 2018

Notes to Schedule

1. The accompanying schedule of expenditures of state awards (the Schedule) includes the state award activity of the City of Beaumont, Texas (the City), under programs of the state government for the year ended September 30, 2018. 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), and the State of Texas *Uniform Grant Management Standards* (UGMS). 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.
2. The City accounts for awards under state programs primarily in the Special Revenue governmental funds.
3. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and UGMS, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, 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.

**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* and the State of Texas
*Uniform Grant Management Standards***

Independent Auditor's Report

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 and the State of Texas *Uniform Grant Management Standards*, issued by the Texas Comptroller of Public Accounts, 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, 2018, 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 18, 2019, which contained a reference to other auditors and an emphasis-of-matter paragraph regarding a change in accounting principle. 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, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Beaumont Firemen's Relief and Retirement Fund.

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 a 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 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 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* or the State of Texas *Uniform Grant Management 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. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the State of Texas *Uniform Grant Management 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 18, 2019

**Report on Compliance for the Major State Program;
Report on Internal Control Over Compliance; and
Report on Schedule of Expenditures of State Awards Required
by the State of Texas *Uniform Grant Management Standards***

Independent Auditor's Report

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

Report on Compliance for the Major State Program

We have audited the City of Beaumont, Texas' (the City), compliance with the types of compliance requirements described in the State of Texas *Uniform Grant Management Standards* that could have a direct and material effect on the City's major state program for the year ended September 30, 2018. The City's major state 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 state statutes, regulations, contracts and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major state 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 State of Texas *Uniform Grant Management Standards*. Those standards and the *Uniform Grant Management Standards* 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 the major state program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major State 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 state program for the year ended September 30, 2018.

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 the major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major state program and to test and report on internal control over compliance in accordance with the State of Texas *Uniform Grant Management Standards*, 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 a reasonable possibility that material noncompliance with a type of compliance requirement of a state 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 the State of Texas *Uniform Grant Management Standards*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Awards Required by the State of Texas *Uniform Grant Management Standards*

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 18, 2019, which contained an unmodified opinion on those financial statements, a reference to other auditors and an "Emphasis of Matter" paragraph regarding a change in accounting principle. 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 state awards is presented for purposes of additional analysis as required by the State of Texas *Uniform Grant Management Standards* 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 state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

BKD, LLP

Houston, Texas
March 18, 2019

City of Beaumont, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2018

8. The threshold used to distinguish between Type A and Type B state programs as those terms are defined in UGMS was \$300,000.
9. The City qualified as a low-risk auditee? Yes No

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Summary of Finding	Questioned Costs
---------------------	--------------------	---------------------

No matters are reportable.

Findings Required to be Reported by *Uniform Grant Management Standards*

Reference Number	Summary of Finding	Questioned Costs
---------------------	--------------------	---------------------

No matters are reportable.

City of Beaumont, Texas
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2018

Reference Number	Summary of Finding	Status
-----------------------------	---------------------------	---------------

No matters are reportable.