

City of Beaumont, Texas

Single Audit Reports

September 30, 2017



City of Beaumont, Texas
September 30, 2017

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City of Beaumont, Texas
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2017

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	2017-049827-001A	\$ -	\$ 674,427
Total Passed Through the Texas Department of State Health Services			<u>0</u>	<u>674,427</u>
Passed Through the Texas Department of Agriculture:				
<i>Summer Food Service Program for Children Child Nutrition Cluster</i>	10.559	75-06002	-	51,019
Total Passed Through the Texas Department of Agriculture			<u>0</u>	<u>51,019</u>
Total U.S. Department of Agriculture			<u>0</u>	<u>725,446</u>
U.S. Department of Commerce				
Direct Program:				
<i>Economic Adjustment Assistance Small Business Revolving Loan Fund Economic Development Cluster</i>	11.307		-	563,387
Total U.S. Department of Commerce			<u>0</u>	<u>563,387</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		-	34,847
<i>Community Development Block Grants/Entitlement Grants</i>	14.218		80,000	336,832
<i>Community Development Block Grants/Entitlement Grants</i>	14.218		-	951,080
Total CDBG - Entitlement Grants Cluster			<u>80,000</u>	<u>1,322,759</u>
<i>FY 2015 Continuum of Care Program Grant</i>	14.267		51,122	51,122
<i>FY 2016 Continuum of Care Program Grant</i>	14.267		64,572	64,572
Total Continuum of Care Program Grant			<u>115,694</u>	<u>115,694</u>
<i>Home Investment Partnerships Program</i>	14.239		161	161
<i>Home Investment Partnerships Program</i>	14.239		146,384	157,158
<i>Home Investment Partnerships Program</i>	14.239		-	238,447
<i>Home Investment Partnerships Program</i>	14.239		-	5,159
Total Home Investment Partnerships Program			<u>146,545</u>	<u>400,925</u>
Total Direct Programs			<u>342,239</u>	<u>1,839,378</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, 2017

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	\$ -	\$ 108,746
<i>Community Development Block Grants/State's Program</i>	14.228	13-239-000-7429	-	-
Total Passed Through the Texas General Land Office			<u>0</u>	<u>108,746</u>
Total U.S. Department of Housing and Urban Development			<u>342,239</u>	<u>1,948,124</u>
U.S. Department of Justice				
Direct Programs:				
<i>Asset Forfeiture</i>	16.000		-	62,985
<i>Edward Byrne Memorial Justice Assistance Grant (2014)</i>	16.738		1,170	71,497
<i>Edward Byrne Memorial Justice Assistance Grant (2015)</i>	16.738		1,098	15,028
<i>Edward Byrne Memorial Justice Assistance Grant (2016)</i>	16.738		46,255	46,255
Total Edward Byrne Memorial Justice Assistance Grant			<u>48,523</u>	<u>132,780</u>
<i>Missing Children's Assistance</i>	16.543		-	10,000
Total Direct Programs			<u>48,523</u>	<u>205,765</u>
Total U.S. Department of Justice			<u>48,523</u>	<u>205,765</u>
U.S. Department of Transportation				
Direct Program:				
<i>Federal Transit Cluster:</i>				
<i>Federal Transit Formula Grants</i>	20.507		-	1,499,927
<i>Federal Transit Formula Grants</i>	20.507		-	2,096,752
Total Federal Transit Cluster			<u>0</u>	<u>3,596,679</u>
Passed Through the Texas Department of Transportation:				
<i>State and Community Highway Safety Highway Safety Cluster</i>	20.600	2017-Beaumont- S-1YG-00078	-	87,485
Total Passed Through the Texas Department of Transportation			<u>0</u>	<u>87,485</u>
Total U.S. Department of Transportation			<u>0</u>	<u>3,684,164</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, 2017

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 Health and Human Services Commission:				
<i>State Partnership Grant Program to Improve Minority Health</i>	93.296	529-16-0137-00001	\$ -	\$ 26,498
Total Passed Through the Texas Health and Human Services Commission			<u>0</u>	<u>26,498</u>
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	-	2,580
<i>Public Health Emergency Preparedness</i>	93.069	2016-001278-02	-	119,281
Total Public Health Emergency Preparedness			<u>0</u>	<u>121,861</u>
<i>Public Health Emergency Preparedness Aligned Cooperative Project Grants and Cooperative Agreements for Tuberculosis Control Programs</i>	93.074	537-18-0161-00001	0	28,012
<i>Immunization Cooperative Agreements</i>	93.116	2016-001382-01	0	25,081
<i>Immunization Cooperative Agreements</i>	93.268	2016-001229-01	-	176,936
<i>Immunization Cooperative Agreements</i>	93.268	537-18-0049-00001	-	15,491
Total Immunization Cooperative Agreements			<u>0</u>	<u>192,427</u>
Total Passed Through the Texas Department of State Health Services			<u>0</u>	<u>367,381</u>
Total U.S. Department of Health and Human Services			<u>0</u>	<u>393,879</u>
U.S. Department of Homeland Security				
Direct Program:				
<i>FY 2015 Port Security Grant Program</i>	97.056		-	534,743
<i>FY 2016 Port Security Grant Program</i>	97.056		-	596,404
Total Direct Program			<u>0</u>	<u>1,131,147</u>
Passed Through the Texas Department of Public Safety:				
<i>Emergency Management Performance Grant (EMPG)</i>	97.042	17TX-EMPG-0390	-	43,287
<i>Homeland Security Grant Program</i>	97.067	EMW-2016-SS-00056	-	125,093
Total Passed Through the Texas Department of Public Safety			<u>0</u>	<u>168,380</u>
Total U.S. Department of Homeland Security			<u>0</u>	<u>1,299,527</u>
Total Federal Awards			<u>\$ 390,762</u>	<u>\$ 8,820,292</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, 2017

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Beaumont, Texas (the City), under programs of the federal government for the year ended September 30, 2017. 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.
2. The City accounts for awards under federal programs primarily in the General, Capital Projects and 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 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, 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.
4. 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:

$$[\$107,340 + \$729,510 + \$4,026] \times [\$500,000 / \$750,000] = \$563,387$$

The balance of loans outstanding at September 30, 2017, consist of:

CFDA Number	Program Name	Outstanding Balance at September 30, 2017
11.307	U.S. Department of Commerce EDA – Small Business Revolving Loan Fund	\$ 107,300

City of Beaumont, Texas
Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2017

5. 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, 2017, is 46. There is no momentary value to these cards until issued.

**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***

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, 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, 2017, 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 14, 2018, which contains a reference to the report of other 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

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 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 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. 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 14, 2018

**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 each of City's major federal programs for the year ended September 30, 2017. 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 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 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 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 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, 2017.

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 an 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.

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 14, 2018, which contained

unmodified opinions and a reference to the report 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.

Handwritten signature in black ink that reads "BKD, LLP". The letters are stylized and slanted to the right. A vertical line is drawn to the right of the signature.

Houston, Texas
March 14, 2018

City of Beaumont, Texas
Schedule of Findings and Questioned Costs
Year Ended September 30, 2017

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 programs were:

CFDA Number	Name of Federal Program or Cluster
97.056	Port Security Grant Program
20.507	Federal Transit Cluster

City of Beaumont, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2017

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
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2017

Reference Number	Summary of Finding	Status
	No matters reportable	