

SINGLE AUDIT REPORTS

**CITY OF BAYTOWN,
TEXAS**

For the Year Ended
September 30, 2015

CITY OF BAYTOWN, TEXAS

SINGLE AUDIT REPORTS

September 30, 2015

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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

February 24, 2016

To the Honorable Mayor, City Council
Members, and Finance Committee of the
City of Baytown, 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, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Baytown, 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 February 24, 2016.

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 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 did not disclose any 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 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.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133, AND SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

February 24, 2016

To the Honorable Mayor, City Council
Members, and Finance Committee of the
City of Baytown, Texas:

Report on Compliance for Each Major Federal Program

We have audited the City of Baytown, Texas' (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2015. The City's major federal 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 federal programs.

Auditors' 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 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 an 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.

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, the discretely presented component units, 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 February 24, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on those 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 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.

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.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas

CITY OF BAYTOWN, TEXAS
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended September 30, 2015

No prior year findings.

CITY OF BAYTOWN, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2015

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the basic financial statements of the City of Baytown, Texas.
2. Significant deficiencies in internal control were not disclosed by the audit of the basic financial statements.
3. No instances of noncompliance material to the basic financial statements were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed by the audit.
5. The auditors' report on compliance for the major federal award programs expresses an unmodified opinion.
6. No audit findings relative to the major federal award programs for the City are reported in Part C of this schedule.
7. The programs included as major programs included:

CFDA Number	Program Title
14.218	CDBG - Entitlement Grants
95.001	High Intensity Drug Trafficking Area Program (HIDTA)
20.219, 20.205	Highway Planning and Construction Cluster
66.202	SAAP - Garth Road

8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The City did qualify as a low-risk auditee in the context of OMB Circular A-133.

B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT

None

C. FINDINGS – FEDERAL AWARDS

None

CITY OF BAYTOWN, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Page 1 of 2)
For the Year Ended September 30, 2015

Grantor/ Program Title	CFDA Number	Grant/Contract Number	Program or Award	Expenditures
U.S. Department of Justice				
<i>Pass-Through Texas Criminal Justice Division</i>				
Crime Victim Assistance	16.575	VA-14-V30-15214-14	\$ 131,475	\$ 106,667
Crime Victim Assistance	16.575	VA-15-V30-15214-15	290,588	12,992
		Total this Grantor	<u>422,063</u>	<u>119,659</u>
<i>Direct Award</i>				
Bulletproof Vest Program	16.607	N/A	14,897	10,875
		Total this Grantor	<u>14,897</u>	<u>10,875</u>
<i>Direct Award</i>				
Justice Assistance Grant Program	16.738	2014-DJ-BX-0566	20,966	20,857
Justice Assistance Grant Program	16.738	2015-DJ-BX-0577	18,542	3,437
		Total this Grantor	<u>39,508</u>	<u>24,294</u>
		Total U.S. Department of Justice	<u>476,468</u>	<u>154,828</u>
Office of National Drug Control Policy				
<i>Direct Award</i>				
High Intensity Drug Trafficking Area Program	95.001	G13HN0005A	1,699,427	427,506
High Intensity Drug Trafficking Area Program	95.001	G14HN0005A	1,629,170	1,251,610
High Intensity Drug Trafficking Area Program	95.001	G15HN0005A	1,368,712	-
		Total Office of National Drug Control Policy	<u>4,697,309</u>	<u>1,679,116</u>
U.S. Department of Housing and Urban Development				
<i>Pass-through Texas General Land Office</i>				
CDBG - Ike	14.228	DRS010220	12,059,464	136,348
CDBG - Ike 2.1	14.228	12-213-000-5513	5,197,849	10,800
CDBG - Ike 2.2	14.228	13-238-000-7421	16,102,898	586
		Total this Grantor	<u>33,360,211</u>	<u>147,734</u>
<i>Direct Award</i>				
Community Development Block Grant	14.218	B-13-MC-48-0033	660,650	5,900
Community Development Block Grant	14.218	B-14-MC-48-0033	682,810	571,666
		Total this Grantor	<u>1,343,460</u>	<u>577,566</u>
		Total U.S. Department of Housing and Urban Development	<u>34,703,671</u>	<u>725,300</u>
U.S. Department of Homeland Security				
<i>Pass-through Texas Division of Emergency Management</i>				
2013 Urban Area Security Initiative	97.067	13-SR-6128-01	306,808	63,422
2014 Urban Area Security Initiative	97.067	14-SR-6128-01	62,105	17,182
Hazmat Sustainment/Enhancement	97.067	2970701	133,152	-
		Total this Grantor	<u>502,065</u>	<u>80,604</u>

CITY OF BAYTOWN, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Page 2 of 2)
For the Year Ended September 30, 2015

Grantor/ Program Title	CFDA Number	Grant/Contract Number	Program or Award	Expenditures
Direct Award				
2013 Port Security Grant Program	97.056	EMW-2013-PU-00492-S01	\$ 108,000	\$ 107,999
2014 Port Security Grant Program	97.056	EMW-2014-PU-00397-S01	57,638	1,455
2015 Port Security Grant Program	97.056	EMS-2015-PU-00527-S01	48,843	-
Total this Grantor			<u>214,481</u>	<u>109,454</u>
Total U.S. Department of Homeland Security			<u>716,546</u>	<u>190,058</u>
U.S. Department of Transportation				
<i>Pass-through Texas Parks and Wildlife</i>				
*Nature Trails, Phase II	20.219	RT012002	57,240	17,480
Total this Grantor			<u>57,240</u>	<u>17,480</u>
<i>Pass-through Texas Department of Transportation</i>				
*Adaptive Signal Control	20.205	CSJ 0912-72-307	562,160	270,302
*Adaptive Signal Control	20.205	CSJ 0389-02-045	281,080	106,440
*Adaptive Signal Control	20.205	CSJ 0389-03-038	35,128	10,208
Total this Grantor			<u>878,368</u>	<u>386,950</u>
Total U.S. Department of Transportation			<u>935,608</u>	<u>404,430</u>
U.S. Environmental Protection Agency				
<i>Direct Award</i>				
SAAP - Garth Road	66.202	XP-00F85101	484,000	354,648
Total U.S. Environmental Protection Agency			<u>484,000</u>	<u>354,648</u>
U.S. Department of Commerce				
<i>Pass-through Texas General Land Office</i>				
Coastal Management Grants Program, Cycle 19	11.419	15-040-000-8384	99,600	-
Total U.S. Department of Commerce			<u>99,600</u>	<u>-</u>
U.S. General Services Administration				
<i>Pass-through Texas Facilities Commission</i>				
Donation of Federal Surplus Personal Property	39.003	40200	84,887	84,887
Total U.S. General Services Administration			<u>84,887</u>	<u>84,887</u>
Total Federal Awards			<u>\$ 42,198,089</u>	<u>\$ 3,593,267</u>

*Indicates clustered program under OMB Circular A-133 Compliance Supplement.
The accompanying notes are an integral part of this schedule.

CITY OF BAYTOWN, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2015

1. REPORTING ENTITY

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the City of Baytown, Texas.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.