

**City of Waco, Texas**  
Compliance and Internal Control Reports  
Under *Governmental Auditing Standards*,  
Office of Management and Budget (OMB) Circular A-133  
and *Uniform Grant Management Standards*  
Schedules of Expenditures of Federal  
and State Awards  
September 30, 2013

# City of Waco, Texas

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**INDEPENDENT AUDITOR'S 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 Waco, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Waco, Texas (the City), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 21, 2014.

**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. *As 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*.

## **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.

January 21, 2014



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**INDEPENDENT AUDITOR'S REPORTS ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM; ON INTERNAL CONTROL OVER COMPLIANCE; AND ON THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS REQUIRED BY *OMB CIRCULAR A-133* AND UNIFORM GRANT MANAGEMENT STANDARDS**

To the Honorable Mayor and Members of the City Council  
City of Waco, Texas:

**Report on Compliance for Each Major Federal and State Program**

We have audited the City of Waco, 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 *Uniform Grant Management Standards* that could have a direct and material effect on each of the City's major federal and state programs for the year ended September 30, 2013. The City's major federal and state 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 the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal and 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *Uniform Grant Management Standards* of the State of Texas. 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 or 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.

## ***Auditor's Responsibility*** (continued)

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the City's compliance.

### ***Opinion on Each Major Federal and 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 each of its major federal and state programs for the year ended September 30, 2013.

### **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 or 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 federal and state program, and to test and report on internal control over compliance in accordance with OMB Circular A-133 and *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 federal or 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 federal or 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 federal or 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 requirements of OMB Circular A-133 and *Uniform Grant Management Standards*. Accordingly, this report is not suitable for any other purpose.

**Report on Schedules of Expenditures of Federal and State Awards Required by OMB Circular A-133 and Uniform Grant Management Standards**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Waco, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated January 21, 2014, which contained unmodified opinions on those financial statements.

Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by OMB Circular A-133 and *Uniform Grant Management Standards*, and are 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 schedules of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

*Jayrus. Reitmeier, Boyd & Therrell, P.C.*

January 21, 2014

**City of Waco, Texas**

Schedule of Findings and Questioned Costs

Year Ended September 30, 2013

(1) Summary of Auditors' Results

***Financial Statements***

Type of auditor's report issued: unmodified

Internal control over financial reporting:

o Material weakness(es) identified?	___ yes	___ <u>x</u>	no
o Significant deficiency(ies) identified?	___ yes	___ <u>x</u>	none reported

Noncompliance material to financial statements noted?	___ yes	___ <u>x</u>	no
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***Federal Awards***

Internal control over major programs:

o Material weakness(es) identified?	___ yes	___ <u>x</u>	no
o Significant deficiency(ies) identified?	___ yes	___ <u>x</u>	none reported

Type of auditor's 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 Circular A-133?	___ yes	___ <u>x</u>	no
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***State Awards***

Internal control over major programs:

o Material weakness(es) identified?	___ yes	___ <u>x</u>	no
o Significant deficiency(ies) identified?	___ yes	___ <u>x</u>	none reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Grant Management Standards?	___ yes	___ <u>x</u>	no
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Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
16.804	ARRA - JAG Byrne Justice Assistance
20.106	Airport Improvement Program
20.205	Highway Planning and Construction Cluster

Identification of major state programs:

<u>Grant Number</u>	<u>Name of State Program or Cluster</u>
	Texas Parks & Wildlife Cluster:
50-000440	Local Parks Grant Program - Oscar DuConge Park
50-000441	Local Parks Grant Program - Sul Ross Park

Dollar threshold used to distinguish between type A and type B federal programs:	\$599,161
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Dollar threshold used to distinguish between type A and type B state programs:	\$300,000
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Auditee qualified as federal low-risk auditee?	___ <u>x</u> yes	___ no
Auditee qualified as state low-risk auditee?	___ <u>x</u> yes	___ no



**City of Waco, Texas**

Schedule of Findings and Questioned Costs  
(Continued)

(2) Financial Statement Findings

None noted.

(3) Federal Award Findings and Questioned Costs

None noted.

(4) State Award Findings and Questioned Costs

None noted.

**City of Waco, Texas**

Summary Schedule of Prior Audit Findings

September 30, 2013

None

**City of Waco, Texas**

**Schedule of Expenditures of Federal Awards**

**Year Ended September 30, 2013**

Grantor/Pass-Through Grantor/Program or Cluster/Title	CFDA Number	Grantor / Pass Through Grantor Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through the Texas Department of State Health Services:			
Supplemental Food Program for Women, Infants and Children	10.557	2013-042721	\$ 1,052,761
Peer for Women, Infants and Children	10.557	2013-042721	134,548
Farmers Market Nutrition Women, Infants and Children	10.557	2013-042721	28,719
Registered Dietician	10.557	2013-042721	121,598
Clinical Lactation Practicum	10.557	2013-042721	25,471
Total Passed through the Texas Department of Health			<u>1,363,097</u>
Total U.S. Department of Agriculture			<u>1,363,097</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Programs:			
CDBG - Entitlement Grants Cluster:			
Community Development Block Grant	14.218	B-09, 10-MC-48-0029	<u>1,697,574</u>
Supportive Housing Program	14.235	TX0240B6T041103	62,952
Supportive Housing Program	14.235	TX0240B6T041103	<u>3,507</u>
			<u>66,459</u>
Shelter Plus Care:			
Chronic Homeless	14.238	TX0261C6T040900	12,237
Other Homeless	14.238	TX0260C6T040900	49,025
Chronic Homeless/Other Homeless	14.238	TX0312C6T041101	42,795
Chronic Homeless/Other Homeless	14.238	TX0312L6T041202	21,762
			<u>125,819</u>
HOME Investment Partnership Program	14.239	M-07, 08, 09, 10, 11-MC-48-0202	1,360,759
HOME Investment Partnership Program	14.239	loan programs - non-cash assistance	4,850,894
			<u>6,211,653</u>
Total Direct Programs			<u>8,101,505</u>
Passed through the Brazos Valley Council of Governments:			
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	5594-553-01	28,816
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	5597-553-01	62,887
Total passed through the Brazos Valley Council of Governments			<u>91,703</u>
Total U.S. Department of Housing and Urban Development			<u>8,193,208</u>
<u>U.S. Department of Justice</u>			
Direct Programs:			
JAG Program Cluster:			
JAG2012 Byrne Justice Assistance	16.738	2012-DJ-BX-0662	8,920
JAG2011 Byrne Justice Assistance	16.738	2011-DJ-BX-2640	8,531
JAG2010 Byrne Justice Assistance	16.738	2010-DJ-BX-1303	34,660
ARRA JAG Byrne Justice Assistance	16.804	2009-SB-B9-2807	193,009
			<u>245,120</u>
COPS 2010 Law Enforcement Technology	16.710	2010CKWX0246	<u>490,331</u>

**City of Waco, Texas**

**Schedule of Expenditures of Federal Awards  
(Continued)**

<u>Grantor/Program or Cluster/Title</u>	<u>Number</u>	<u>Grantor Identifying Number</u>	<u>Expenditures</u>
<u>U.S. Department of Justice (continued)</u>			
Direct Programs (continued):			
BJA-OJP Bulletproof Vest Program	16.607	FY2011BVP	\$ 2,698
Total Direct Programs			<u>738,149</u>
Passed through the State Governor's Office - Criminal Justice Division:			
Waco Family Violence Unit Detectives & Coordinator/16	16.588	WF-13-V30-13424-16	11,365
Waco Family Violence Unit Detectives & Coordinator/15	16.588	WF-12-V30-13424-15	87,363
Total passed through the State Governor's Office - Criminal Justice Division			<u>98,728</u>
Total U.S. Department of Justice			<u>836,877</u>
<u>U.S. Department of Transportation</u>			
Direct Programs:			
Airport Improvement Program (FAA)	20.106	3-48-0220-029-2009	(89,424)
Airport Improvement Program (FAA)	20.106	3-48-0220-033-2012	4,399,766
Airport Improvement Program (FAA)	20.106	3-48-0220-034-2013	185,791
			<u>4,496,133</u>
Federal Transit Cluster:			
Federal Transit Urbanized Area Formula Grant	20.507	WTS FY 2013	2,264,496
Federal Transit Urbanized Area Formula Grant	20.507	TX-90-Y004	99,329
Federal Transit Urbanized Area Formula Grant	20.507	TX-90-X890	26,099
			<u>2,389,924</u>
Total Direct Programs			<u>6,886,057</u>
Passed through the Texas Department of Transportation:			
Highway Planning and Construction Cluster:			
Highway Planning and Construction - FHWA-PL 112	20.205	50-11XF0007	259,872
Ritchie Road Widening - Advance Funding Agreement	20.205	CSJ0909-22-150	89,453
Brazos Park East Trail Extension	20.205	CSJ0909-22-160	711,101
Total Highway Planning and Construction Cluster			<u>1,060,426</u>
Metropolitan Transportation Planning Grant - FTA Section 5303	20.505	50-11XF0007	70,880
State and Community Highway Safety Grant Program	20.600	2013-WacoPD-S-IYG-0063	82,449
STEP Click It or Ticket	20.600	2013-WacoPD-CIOT-0037	3,735
			<u>86,184</u>
Total passed through the Texas Department of Transportation			<u>1,217,490</u>
Total U.S. Department of Transportation			<u>8,103,547</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through the Texas Department of State Health Services:			
Community Preparedness Section/Public Health			
Emergency Response (PHER)	93.069	2014-001101-00	13,448
CPS-Bioterrorism Preparedness	93.069	2013-041453 0003	186,283
PPCD B1 Hazards Discretionary Grant	93.069	2013-041453-002	40,046
			<u>239,777</u>

**City of Waco, Texas**

**Schedule of Expenditures of Federal Awards  
(Continued)**

<u>Grantor/Pass-Through Grantor/Program or Cluster/Title</u>	<u>CFDA Number</u>	<u>Grantor / Pass Through Grantor Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Human Services (continued)</u>			
Passed through the Texas Department of State Health Services: (continued)			
Tuberculosis Prevention and Control	93.116	2014-001406-00	1,596
Immunizations Branch - Locals	93.268	2014-00108-00	27,524
Immunizations Branch - Locals	93.268	2013-041453 001	287,689
			<u>315,213</u>
Community Transformation Grant	93.531	2012-040751	178,219
Community Transformation Grant	93.531	2014-001389-00	486
			<u>178,705</u>
Ryan White Part B Service Delivery (RWSD)	93.917	5596-553-01	309,151
Ryan White Service Delivery (RWSD)	93.917	5600-553-01	22,226
			<u>331,377</u>
HIV/PreventionF	93.940	2012-040432-001	42,440
HIV/PreventionF	93.940	2013-043151	106,473
HIV/PreventionF	93.940	2014-001324-00	11,821
			<u>160,734</u>
Total Passed through the Texas Department of State Health Services			<u>1,227,402</u>
Total U.S. Department of Health and Human Services			<u>1,227,402</u>
<u>U. S. Department of Homeland Security</u>			
Direct Programs:			
2008 Staffing for Adequate Fire and Emergency Response	97.044	EMW-2008-FF-00474	40,915
Total Direct Programs			<u>40,915</u>
Passed through the State Department of Public Safety:			
Public Assistance Grant - West, Texas Fertilizer Plant	97.036	FEMA-EM-3363-TX	38,581
Emergency Management Performance Grant	97.042	11 TX-EMPG-1296	65,959
			<u>104,540</u>
Passed through the Texas Engineering Extension Service:			
2012 State Homeland Security Program	97.073	2012-SS-00018-S01	83,495
2011 State Homeland Security Program	97.073	2011-SS-00019	18,957
Total passed through the Texas Engineering Extension Service			<u>102,452</u>
Total U.S. Department of Homeland Security			<u>247,907</u>
Total Expenditures of Federal Awards			<u>\$ 19,972,038</u>

See accompanying notes to schedules of expenditures of federal and state awards.

**City of Waco, Texas**  
**Schedule of Expenditures of State Awards**  
**Year Ended September 30, 2013**

Grantor/Pass-Through Grantor/Program Title	Grant Identifying Number	State Expenditures
<u>Texas Department of State Health Services</u>		
HSR 7- Tuberculosis	2014-001406-00	\$ 317
HSR 7- Tuberculosis	2013-042776	25,284
RLSS - Local Public Health System	2014-001085-00	11,503
RLSS - Local Public Health System	2013-041453 0001	204,800
Flu Surveillance	2013-041453	16,769
Healthy Babies	2012-040629	160,432
Diabetes - Community Diabetes Services	2012-039687	4,776
Diabetes - Community Diabetes Services	2013-042431	75,454
		<u>499,335</u>
Passed through the Brazos Valley Council of Governments:		
HIV/State Services	5598-553-01	6,275
HIV/State Services	5593-553-01	83,181
Total Passed through the Brazos Valley Council of Governments		<u>89,456</u>
Total Texas Department of State Health Services		<u>588,791</u>
<u>State of Texas Comptroller's Office</u>		
Fire LEOSE Grant		<u>295</u>
Total State of Texas Comptroller's Office		<u>295</u>
<u>Texas Department of Transportation</u>		
Public Transportation Grant Program FY 2013	URB 1303 (09)	414,333
Public Transportation Grant Program FY 2013 Preventative Maintenance	ED 1301 (09)07	72,000
Total Texas Department of Transportation		<u>486,333</u>
<u>Texas Parks and Wildlife Department</u>		
Local Parks Grant Program - Oscar DuConge Park Project	50-000440	326,260
Local Parks Grant Program - Sul Ross Park Renovation Project	50-000441	71,265
Total Texas Parks and Wildlife Department		<u>397,525</u>
Total Expenditures of State Awards		<u>\$ 1,472,944</u>

See accompanying notes to schedules of expenditures of federal and state awards.

## City of Waco, Texas

### Notes to Schedules of Expenditures of Federal and State Awards

Year Ended September 30, 2013

(1) Basis of Presentation

The accompanying schedules of expenditures of federal and state awards include the federal and state grant activity of the City of Waco, Texas (the City) under programs of the federal and state governments for the year ended September 30, 2013. The information in these schedules is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and *Uniform Grant Management Standards*. Because the schedules present only a selected portion of the operations of the City, it is not intended to and does not present the financial position, change in net assets or cash flows of the City.

(2) Summary of Significant Accounting Policies

Expenditures reported in the accompanying schedules of expenditures of federal and state awards 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 and Local Governments*, wherein certain types of expenditures are not allowable or 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. Grantor and pass-through grantor identifying numbers are presented where available.

(3) Subrecipients

Of the federal expenditures presented in the accompanying schedule of federal awards, the City provided federal awards to subrecipients as follows:

<u>Program Name</u>	<u>CFDA Number</u>	<u>Amount Provided</u>
Community Development Block Grant	14.218	\$ 271,973
HOME Investment Partnership Program	14.239	533,683
Shelter Plus Care	14.238	125,819
JAG 2012 Byrne Justice Assistance	16.738	8,920

**City of Waco, Texas**

Notes to Schedules of Expenditures of Federal and State Awards  
(Continued)

(4) Federal Loan Programs

The federal loan programs listed as non-cash assistance on the accompanying schedule of federal awards are administered directly by the City, and balances and transactions relating to these programs are included in the City's basic financial statements. Loans made during the current year and the balance of loans outstanding at October 1, 2012, are included in the federal expenditures presented in the accompanying schedule of federal awards.