SINGLE AUDIT REPORTS

CITY OF DICKINSON, TEXAS

For the Year Ended
September 30, 2014

CITY OF DICKINSON, TEXAS

SINGLE AUDIT REPORTS

September 30, 2014

TABLE OF CONTENTS

	Page
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*	3
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133, AND THE SCHEDULE OF EXPENDITURES OF FEDERAL	5
SCHEDULES	
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	9
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	11
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	12

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*

March 17, 2015

To the Honorable Mayor and
City Council Members of the
City of Dickinson, 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 Dickinson, 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 17, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness.

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. We consider the deficiency 2012.003 described in the accompanying schedule of findings and questioned costs to be a material weakness.

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A significant deficiency is a deficiency, or 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.

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*.

We noted certain matters that we reported to management of the City in a separate letter dated March 17, 2015.

City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

March 17, 2015

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

Report on Compliance for Each Major Federal Program

We have audited the City of Dickinson, 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, 2014. 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.

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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, 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 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated March 17, 2015 which contained unmodified opinions on those financial statements. 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 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 DICKINSON, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended September 30, 2014

No prior findings.

CITY OF DICKINSON, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2014

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the basic financial statements of City of Dickinson, Texas.

2. A material weakness in internal control was disclosed by the audit of the financial statements.

3. A significant deficiency in internal control was not disclosed by the audit of the financial statements.

4. No instances of noncompliance material to the basic financial statements were disclosed during the audit.

5. No significant deficiencies in internal control over major federal award programs were disclosed by the audit.

6. The auditors' report on compliance for the major federal award programs expresses an unmodified opinion.

7. No audit findings relative to the major federal award programs for the City are reported.

8. The programs included as major programs are:

Program Title	CFDA
Community Development Block Grant – Disaster Recovery	14.218

9. The threshold for distinguishing Type A and B programs was $300,000.

10. The City did not qualify as a low-risk auditee in the context of OMB Circular A-133.

B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT

MATTERS PREVIOUSLY REPORTED

Material Weaknesses

2012.003. CLOSING PROCEDURES

Criteria

The City should ensure that there are formal procedures in place to reconcile balance sheet accounts to subsidiary ledgers on a consistent basis.

Condition

It appeared the City lacked a formal process for closing the books at the end of the fiscal year. Multiple adjustments were required at year-end during the audit process to correct general ledger account balances. Accordingly, it did not appear that some subsidiary ledgers and other support were being compared to the general ledger to ensure that year-end balances were correctly stated.

Effect

The lack of consistent procedures could lead to misstated account balances.

Cause

The City has not established formal procedures to reconcile balance sheet accounts to detailed ledgers on a consistent basis.

Recommendation

Based on the structure of the City and current procedures, it is recommended that at a minimum the City develop a formal closing process at year-end including reviewing supporting subsidiary ledgers and other supporting documents to determine their accuracy and to ensure the general ledger is appropriately adjusted and the financial statements are accurate.

Corrective Action Plan

The City has a process of reviewing supporting subsidiary ledgers and other supporting documents to determine their accuracy. This process is performed quarterly, in connection with the quarterly financial report delivered to the City Council. Bank accounts are reconciled monthly.

C. FINDINGS – FEDERAL AWARDS

None

CITY OF DICKINSON, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2014

Grantor/Program Title	CFDA Number	Grant/Contract Number	Expenditures
DEPARTMENT OF JUSTICE			
Direct Award			
ARRA - 2010 COPS Hiring Program	16.710	2010UMWX0305	$ 29,628
Direct Award			
Equitable Sharing of Federally Forfeited Property for State and Local Law Enforcement Agencies	16.922		136,240
Pass-through Office of the Governor, Criminal Justice Division			
Crime Victim Assistance	16.575	1890907	43,899
		TOTAL DEPARTMENT OF JUSTICE	209,767
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Pass-through Texas General Land Office			
Community Development Block Grant - Disaster Recovery Round 2.1	14.218	GLO - 12-201-000-5501	1,132,555
Community Development Block Grant - Disaster Recovery Round 2.2	14.218	GLO-13-128-000-7190	385,690
		TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	1,518,245
DEPARTMENT OF HOMELAND SECURITY			
Pass-through Texas Division of Emergency Management			
Emergency Management Performance Grant 2012	97.042	14TX-EMPG-0337	31,999
		TOTAL DEPARTMENT OF HOMELAND SECURITY	31,999
INSTITUTE OF MUSEUM AND LIBRARY SERVICES			
Direct Award			
Texas State Library and Archives Commission Impact Grant	45.310	475-14012	7,869
		TOTAL INSTITUTE OF MUSEUM AND LIBRARY SERVICES	7,869
		TOTAL FEDERAL AWARDS EXPENDED	$ 1,767,880

CITY OF DICKINSON, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2014

1. REPORTING ENTITY

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

3. SUBRECIPIENTS

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

CFDA	Program Name	Amount
14.218	Community Development Block Grant - Disaster Recovery Round 2.1	$ 1,130,929
14.218	Community Development Block Grant - Disaster Recovery Round 2.2	361,693
		$ 1,492,622