

CITY OF SAN MARCOS, TEXAS

SINGLE AUDIT REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2014

CITY OF SAN MARCOS, 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

Honorable Members of City Council
City of San Marcos, 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 San Marcos, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of San Marcos, Texas' basic financial statements and have issued our report thereon dated April 21, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of San Marcos, Texas' 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 of San Marcos, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of San Marcos, Texas' 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 of San Marcos, Texas' 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ABIP, PC

Certified Public Accountants
San Antonio, Texas

April 21, 2015



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Members of City Council
City of San Marcos, Texas

Report on Compliance for Each Major Federal Program

We have audited the City of San Marcos, Texas' 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 of San Marcos, Texas' major federal programs for the year ended September 30, 2014. The City of San Marcos, Texas' 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of San Marcos, Texas' major federal programs based on our audit of 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 Nonprofit 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 of San Marcos, Texas' 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 of San Marcos, Texas' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of San Marcos, Texas 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 of San Marcos, Texas 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 of San Marcos, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on a 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 of San Marcos, Texas' 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, each major fund, and the aggregate remaining fund information of City of San Marcos, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise City of San Marcos, Texas' basic financial statements. We have issued our report thereon dated April 21, 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 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.

ABIP, PC

Certified Public Accountants
San Antonio, Texas

April 21, 2015

CITY OF SAN MARCOS, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2014

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>GRANTOR'S PASS-THROUGH NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. Department of Agriculture</u>			
Passed through the Texas Department of State Health Services:			
Women, Infants and Children (WIC Project)	10.557	2014-045050	\$ <u>1,651,374</u>
Total Passed through the Texas Department of State Health Services			<u>1,651,374</u>
Total U.S. Department of Agriculture			<u>1,651,374</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Program:			
Community Development Block Grant Entitlement Program	14.218	B-12-MC-48-0513	509,409
Community Development Block Grant Entitlement Program	14.218	B-13-MC-48-0513	<u>152,504</u>
Total U.S. Department of Housing and Urban Development			<u>661,913</u>
<u>U.S. Department of Justice</u>			
Direct Programs:			
Bulletproof Vest Partnership Grant	16.607	2012-BU-BX-1206-4275	14,634
Edward Byrne Memorial Justice Assistance	16.738	2013-DJ-BX-0962	<u>12,485</u>
Total Direct Programs			<u>27,119</u>
Passed through the Texas State University:			
Advanced Law Enforcement Rapid Response	16.753	2009-DG-BX-K002	4,075
Advanced Law Enforcement Rapid Response	16.738	14013-82073-2	<u>24,450</u>
Total Passed through Texas State University			<u>28,525</u>
Total U.S. Department of Justice			<u>55,644</u>
<u>U.S. Department of Transportation</u>			
Passed through the Texas Department of Transportation			
Airport Acquisition Project	20.106	1314SMARC	4,320
Highway Planning and Construction - Loop 82 Overpass Project	20.205	0016-09-033	670,459
Sessom Drive Intersection Improvement	20.205	0914-363-032	425
North LBJ Drive Reconstruction	20.205	0914-33-033R	<u>841,646</u>
Total Passed through the Texas Department of Transportation			<u>1,516,850</u>
Total U.S. Department of Transportation			<u>1,516,850</u>

CITY OF SAN MARCOS, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2014

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>GRANTOR'S PASS-THROUGH NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. Department of Homeland Security</u>			
Direct Program:			
Assistance to Firefighters	97.044	EMW-2011-FO-03785	\$ 7,319
Total Direct Program			<u>7,319</u>
Passed through the Texas Department of Public Safety			
Texas Division of Emergency Management			
Assistance for Recovery	97.036	4159DR-TX	12,948
Emergency Management Performance Grant	97.042	14TX-EMPG-1356	<u>30,582</u>
Total Passed through the Texas Department of Public Safety			<u>43,530</u>
Total U.S. Department of Homeland Security			<u>50,849</u>
TOTAL FEDERAL AWARDS			<u>\$ 3,936,630</u>

CITY OF SAN MARCOS, TEXAS

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2014

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of San Marcos, Texas (the City), and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 and *Audits of States, Local Governments and Nonprofit Organization*.

CITY OF SAN MARCOS, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued Unmodified

Internal Control Over Financial Reporting:

Material weakness(es) identified? No

Significant Deficiency(ies) Identified? None Reported

Noncompliance material to financial statements noted? None

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None Reported

Type of auditors' 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 OMB Circular A-133 None

Identification of Major Programs:

CFDA Number(s)

#14.218 Community Development Block Grant (CDBG)

#20.205 Highway Planning and Construction

Dollar threshold used to distinguish between Type A
and Type B programs \$300,000

Auditee qualified as low-risk auditee? Yes

**Findings Relating to the Financial Statements Which are
Required to be Reported in Accordance with Generally
Accepted Government Auditing Standards**

None

Findings and Questioned Costs for Federal Awards

None

CITY OF SAN MARCOS, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2014

None