

*SINGLE AUDIT REPORTS*

**CITY OF BAYTOWN,  
TEXAS**

**For the Year Ended  
September 30, 2019**

# CITY OF BAYTOWN, TEXAS

## SINGLE AUDIT REPORTS

September 30, 2019

### TABLE OF CONTENTS

	<u>Page</u>
<b>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 <i>GOVERNMENT AUDITING STANDARDS</i></b>	3
<b>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	5
<b><u>SCHEDULES</u></b>	
<i>SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS</i>	8
<i>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</i>	9
<i>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</i>	10
<i>NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</i>	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 6, 2020

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, 2019, 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 6, 2020.

**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 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 THE UNIFORM  
GUIDANCE, AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

March 6, 2020

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 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, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 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, 2019.

## **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.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 6, 2020 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 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.

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.

*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, 2019

No prior year findings.

**CITY OF BAYTOWN, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended September 30, 2019

**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. No significant deficiencies or material weaknesses in internal control were 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 or material weaknesses 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:

<u>CFDA Number</u>	<u>Program Title</u>
95.001	High Intensity Drug Trafficking Area Program (HIDTA)
97.036	Disaster Grants - Public Assistance

8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The City did qualify as a low-risk auditee in the context of the Uniform Guidance.

**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, 2019

Grantor/ Program Title	CFDA Number	Grant/Contract Number	Program or Award	Expenditures
<b>U.S. Department of Justice</b>				
<i>Pass-Through Texas Criminal Justice Division</i>				
Family Violence Counseling	16.575	1521416	\$ 355,759	\$ 169,111
		<b>Total this Grantor</b>	<u>355,759</u>	<u>169,111</u>
<i>Direct Award</i>				
Bulletproof Vest Program	16.607	N/A	2,372	1,786
Bulletproof Vest Program	16.607	N/A	19,286	19,286
		<b>Total this Grantor</b>	<u>21,658</u>	<u>21,072</u>
<i>Direct Award</i>				
Justice Assistance Grant Program	16.738	2017-DJ-BX-1004	19,485	1,258
Justice Assistance Grant Program	16.738	2018-DJ-BX-0777	19,547	19,547
		<b>Total this Grantor</b>	<u>39,032</u>	<u>20,805</u>
		<b>Total U.S. Department of Justice</b>	<u>416,449</u>	<u>210,988</u>
<b>Office of National Drug Control Policy</b>				
<i>Direct Award</i>				
High Intensity Drug Trafficking Area Program	95.001	G17HN0005A	1,813,377	409,870
High Intensity Drug Trafficking Area Program	95.001	G18HN0005A	1,555,552	1,322,721
		<b>Total this Grantor</b>	<u>3,368,929</u>	<u>1,732,591</u>
		<b>Total Office of National Drug Control Policy</b>	<u>3,368,929</u>	<u>1,732,591</u>
<b>U.S. Department of Housing and Urban Development</b>				
<i>Pass-through Texas General Land Office</i>				
Texas Ave Drainage Project	14.228	19-076-002-B351	1,802,857	-
CDBG - Ike 2.2	14.228	13-238-000-7421	16,102,898	129,901
		<b>Total this Grantor</b>	<u>17,905,755</u>	<u>129,901</u>
<i>Direct Award</i>				
Community Development Block Grant	14.218	B-15-MC-48-0033	651,748	30,986
Community Development Block Grant	14.218	B-16-MC-48-0033	660,960	31,192
Community Development Block Grant	14.218	B-17-MC-48-0033	662,310	58,154
Community Development Block Grant	14.218	B-18-MC-48-0033	688,086	322,483
		<b>Total this Grantor</b>	<u>2,663,104</u>	<u>442,815</u>
		<b>Total U.S. Department of Housing and Urban Development</b>	<u>20,568,859</u>	<u>572,716</u>
<b>U.S. Department of Homeland Security</b>				
<i>Pass-through Homeland Security Grants Division</i>				
2017 Baytown Type I HazMat Team Sustainment	97.067	2970703	127,500	21,445
2017 Structural Collapse & Technical Rescue Sustainment	97.067	3156802	30,437	5,902
		<b>Total this Grantor</b>	<u>157,937</u>	<u>27,347</u>
<i>Pass-through Texas Department of Public Safety Division of Emergency Management</i>				
Hurricane Harvey	97.036	432-DR-TX	444,298	444,298
		<b>Total this Grantor</b>	<u>444,298</u>	<u>444,298</u>
		<b>Total U.S. Department of Homeland Security</b>	<u>602,235</u>	<u>471,645</u>

**CITY OF BAYTOWN, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**(Page 2 of 2)  
For the Year Ended September 30, 2019

<u>Grantor/ Program Title</u>	<u>CFDA Number</u>	<u>Grant/Contract Number</u>	<u>Program or Award</u>	<u>Expenditures</u>
<b>Federal Highway Administration</b>				
<i>Pass-through Texas Department of Transportation</i>				
Highway Planning and Construction Cluster:				
*Surface Transportation Program	20.205	CSJ 0912-72-359	<u>1,252,800</u>	<u>116,919</u>
		<b>Total this Grantor</b>	<u>1,252,800</u>	<u>116,919</u>
<i>Pass-through Texas Parks and Wildlife</i>				
Cary Bayou Trail Phase III	20.219	RT15001	<u>44,044</u>	<u>13,003</u>
		<b>Total this Grantor</b>	<u>44,044</u>	<u>13,003</u>
		<b>Total Federal Highway Administration</b>	<u>1,296,844</u>	<u>129,922</u>
<b>Institute of Museum and Library Services</b>				
<i>Pass-through Texas State Library and Archives Commission</i>				
Interlibrary Loan Reimbursement Program	45.310	900746	<u>12,834</u>	<u>12,834</u>
		<b>Total this Grantor</b>	<u>12,834</u>	<u>12,834</u>
		<b>Total Institute of Museum and Library Services</b>	<u>12,834</u>	<u>12,834</u>
		<b>Total Federal Awards and Expenditures</b>	<u>\$ 26,266,150</u>	<u>\$ 3,130,696</u>

*\*Indicates clustered program under OMB 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, 2019**

### **1. REPORTING ENTITY**

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

### **2. BASIS OF ACCOUNTING**

The 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). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the SEFA are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principals contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the SEFA, if any, represent, adjustments or credits made in the normal course to amounts reported as expenditures in prior years.

### **3. INDIRECT COST RATE**

The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.