

CITY OF BRYAN, TEXAS

SINGLE AUDIT REPORT

SEPTEMBER 30, 2012

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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 Bryan, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bryan, Texas (the City), as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 25, 2013. Our report includes a reference to other auditors. We conducted our audit 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. Other auditors audited the financial statements of the Bryan City Business Council, Inc., as described in our report on the City's financial statements. The financial statements of the Bryan City Business Council, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Honorable Mayor and
Members of the City Council
City of Bryan, Texas

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*.

This report is intended solely for the information and use of management, the Audit Committee of the City, Members of the City Council, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
March 25, 2013



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM,
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133 AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

To the Honorable Mayor and
Members of the City Council
City of Bryan, Texas

Compliance

We have audited the compliance of the City of Bryan, Texas (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (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, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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* (OMB Circular A-133). 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. Our audit does not provide a legal determination of the City's compliance with those requirements.

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, 2012.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our

To the Honorable Mayor and
Members of the City Council
City of Bryan, Texas

opinion on compliance 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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended September 30, 2012, and have issued our report thereon dated March 25, 2013, which contained an unqualified opinion on those financial statements and was modified to include a reference to other auditors. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the City's 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, audits of states, local governments and non-profit organizations 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 taken as a whole.

To the Honorable Mayor and
Members of the City Council
City of Bryan, Texas

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the City's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the City's compliance but not to provide an opinion on the effectiveness of the City's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
March 25, 2013

**CITY OF BRYAN, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

An unqualified opinion was issued on the financial statements.

Internal control over financial reporting:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiencies identified that are not considered to be material weakness(es)? ___ Yes X None reported
- Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiencies identified that are not considered to be material weakness(es)? ___ Yes X None reported

An unqualified opinion was issued on compliance for major programs.

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 or Uniform Grant Management Standards? ___ Yes X No

Identification of major federal programs:

14.239 66.202 66.458 81.041	Home Investment Partnership Congressionally Mandated Projects Capitalization Grants for Clean Water State Revolving Funds Traffic Signal Synchronization or Replacement – ARRA
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- Dollar threshold used to distinguish between type A and type B programs?

Federal	<u>\$359,002</u>
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Auditee qualified as low-risk auditee? X Yes ___ No

**CITY OF BRYAN, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(CONTINUED)**

SECTION II – FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SECTION IV – SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

NONE

SECTION V – CORRECTIVE ACTION PLAN

N/A

**CITY OF BRYAN, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Federal Grantor/Program Title	Grant Project Number	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
<u>FEDERAL GRANT FUNDS</u>				
<u>U.S. Department of Housing & Urban Development</u>				
Community Development Block Grant 2010	B-2010-MC-48-0006	14.218	\$ 621,913	\$ -
Community Development Block Grant 2011	B-2011-MC-48-0006	14.218	236,158	-
Home Investment Partnership 2008	M-2008-MC-48-0229	14.239	134,098	-
Home Investment Partnership 2009	M-2009-MC-48-0229	14.239	43,779	-
Home Investment Partnership 2010	M-2010-MC-48-0229	14.239	114,215	-
Home Investment Partnership 2011	M-2011-MC-48-0229	14.239	78,635	-
<i>Passed through Texas Department of Rural Affairs</i>				
Neighborhood Stabilization Program	77099999120	14.228	15,564	-
<i>Total U.S. Department of Housing and Urban Development</i>			1,244,362	-
<u>U.S. Dept of Justice</u>				
Edward Byrne Memorial Justice Assistance Grant Program (JAG) 2010	2010-DJ-BX-0423	16.738	4,405	-
Edward Byrne Memorial Justice Assistance Grant Program (JAG) 2011	2011-DJ-BX-2704	16.738	26,401	-
Edward Byrne Memorial Justice Assistance Grant Program (JAG) 2012	2012-DJ-09-A10-25990-01	16.738	23,048	-
Public Safety Partnership and Community Policing	2010UMWX0302	16.710	238,300	-
Bulletproof Vest Partnership (BVP) 2010	2010-BU-BX-01007667	16.607	7,102	-
Bulletproof Vest Partnership (BVP) 2011	2011-BU-BX-01007667	16.607	4,013	-
<i>Total U.S. Department of Justice</i>			303,269	-
<u>U.S. Department of Homeland Security</u>				
2011 Texas State Homeland Security Program (SHSP)	11-SR-10912-02	97.073	43,578	-
<u>U.S. Department of Commerce</u>				
Public Works - Industrial Park Infrastructure	08-01-04525	11.301	1,777	-
<u>U.S. Environmental Protection Agency</u>				
Congressionally Mandated Projects	XP 00F30201	66.202	485,000	-
Brownsfield Assessment and Cleanup Cooperative Agreements	BF-96698001-0	66.818	10,342	-
<i>Passed through Texas Water Development Board</i>				
Capitalization Grants for Clean Water State Revolving Funds	L1000094	66.458	9,633,590	-
<i>Total U.S. Environmental Protection Agency</i>			10,128,932	-
<u>U.S. Department of Energy</u>				
<i>Passed through Texas Comptroller</i>				
ARRA Traffic Signal Synchronization or Replacement	EE0000116	81.041	244,826	-
<i>Total U.S. Department of Energy</i>			244,826	-
Total Federal Grant Funds			\$ 11,966,744	\$ -

CITY OF BRYAN, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1. GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all applicable federal awards of the City of Bryan, Texas (the City). The City's reporting entity is defined in Note 1 to the City's basic financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the respective schedule.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using modified accrual basis of accounting, which is described in Note 1 to the City's basic financial statements.

NOTE 3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Grant expenditures reports as of September 30, 2012, which have been submitted to grantor agencies will, in some cases, differ slightly from amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of year-end accruals. The reports will agree at termination of the grant as the discrepancies noted are timing differences.

NOTE 4. SCHEDULE OF FINDINGS AND QUESTIONED COSTS

The schedule of findings and questioned costs, including the summary of auditor's results for federal awards, is included beginning on page 6.

NOTE 5. LOANS OUTSTANDING

The City had the following loan balance outstanding as of September 30, 2012. The amount of expenditures during the year ended September 30, 2012 from this loan program is included in the federal expenditures presented in the Schedule of Expenditures of Federal Awards.

<u>Program Title</u>	<u>Award</u>	<u>Loan Balance September 30, 2011</u>	<u>Repayments</u>	<u>Loan Balance September 30, 2012</u>
Capitalization Grants for Clean Water State Revolving Funds \$	15,685,000	\$ 15,685,000	\$ 200,000	\$ 15,485,000