

# **City of Bryan, Texas**

Single Audit Reports

September 30, 2020



**City of Bryan, Texas**  
**September 30, 2020**

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**City of Bryan, Texas**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2020**

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Housing and Urban Development</b>				
Direct Programs				
<i>CDBG – Entitlement Grants Cluster</i>				
Community Development Block Grants/Entitlement Grants	14.218		\$ 89,197	\$ 826,263
COVID-19 - Community Development Block Grants/Entitlement Grants	14.218		-	43,109
Home Investment Partnerships Program	14.239		-	549,651
<b>Total U.S. Department of Housing and Urban Development</b>			<u>89,197</u>	<u>1,419,023</u>
<b>U.S. Department of Justice</b>				
Direct Program				
Bullet Proof Vest Partnership	16.607		-	13,469
Passed through from City of College Station, Texas				
Edward Byrne Memorial Justice Assistance Grant Program 2019	16.738	2019-DJ-BX-0562	-	22,591
<b>Total U.S. Department of Justice</b>			<u>0</u>	<u>36,060</u>
<b>U.S. Department of Transportation</b>				
Passed through from Texas Parks and Wildlife Commission				
<i>Highway Planning and Construction Cluster</i>				
Recreational Trails Program	20.219	RTO107003	-	42,570
Passed through from Texas Department of Transportation				
COVID-19 - Airport Improvement Program	20.106	N/A	-	30,000
<b>Total U.S. Department of Transportation</b>			<u>0</u>	<u>72,570</u>
<b>U.S. Department of Treasury</b>				
Passed through from Texas Department of Emergency Management				
COVID-19 - Coronavirus Relief Fund	21.019	2262610	-	4,687,320
<b>Total U.S. Department of Treasury</b>			<u>0</u>	<u>4,687,320</u>
<b>U.S. Institute of Museum and Library Services</b>				
Passed through from Texas State Library and Archives Commission				
ILL Lending Reimbursement Grant	45.310	LS-00-18-0044-18	-	3,484
<b>Total U.S. Institute of Museum and Library Services</b>			<u>0</u>	<u>3,484</u>
<b>U.S. Department of Homeland Security</b>				
Direct Programs				
Hazard Mitigation Grant Program	97.039		-	(128,765)
Assistance to Fire Fighters - Exhaust System	97.044		-	101,888
Homeland Security Grant Program - Satellite Service	97.067		-	3,480
Staffing for Adequate Fire and Emergency Response Program	97.083		-	252,001
<b>Total U.S. Department of Homeland Security</b>			<u>0</u>	<u>228,604</u>
<b>Total Federal Awards Expended</b>			<u>\$ 89,197</u>	<u>\$ 6,447,061</u>

**City of Bryan, Texas**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2020**

**Note 1: Notes to Schedule**

1. The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of Bryan, Texas (the City) under programs of the federal government for the year ended September 30, 2020. The information in this 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). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.
2. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or other applicable regulatory guidance, wherein certain types of expenditures are not allowable or are 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. The City reports expenditures of federal awards for amounts provided to subrecipients when paid in cash. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**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**

**Independent Auditor's Report**

Audit Committee and City Council  
City of Bryan, Texas  
Bryan, 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 unit, each major fund and the aggregate remaining fund information of the City of Bryan, Texas (City), as of and for the year ended September 30, 2020, 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 26, 2021. Our report includes a reference to other auditors who audited the financial statements of City of Bryan, Texas and Brazos County Economic Development Foundation, Inc. (BBCEDF), a joint venture of the City, Brazos Valley Solid Waste Management Agency (BVSWMA), a joint venture of the City, and Bryan Business Council, Inc. (BBC), the discretely presented component unit. The financial statements of BBCEDF, BVSWMA and BBC were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with BBCEDF, BVSWMA or BBC or that are reported on separately by those auditors who audited the financial statements of BBCEDF, BVSWMA or BBC.

***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) as a basis for designing 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 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be a significant deficiency.

### ***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 financial statements. 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*.

### ***Management's Response to Findings***

Management's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Management'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 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.

**BKD, LLP**

Houston, Texas  
March 26, 2021

**Report on Compliance for the Major Federal Program;  
Report on Internal Control Over Compliance; and  
Report on Schedules of Expenditures of Federal Awards Required  
by the Uniform Guidance**

**Independent Auditor's Report**

Audit Committee and City Council  
City of Bryan, Texas  
Bryan, Texas

**Report on Compliance for the Major Federal Program**

We have audited the City of Bryan, 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 the City's major federal program for the year ended September 30, 2020. The City's major federal program is 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 federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the City's major federal program 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 the major federal program. However, our audit does not provide a legal determination of the City's compliance.

### ***Opinion on the 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 its major federal programs for the year ended September 30, 2020.

### **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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 a 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.

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.

### **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 unit, each major fund and the aggregate remaining fund information of the City of Bryan, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise City's basic financial statements. We issued our report thereon dated March 26, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively



Audit Committee and City Council  
City of Bryan, Texas

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.

*BKD, LLP*

Houston, Texas  
March 26, 2021



**City of Bryan, Texas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended September 30, 2020**

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.
9. The City qualified as a low-risk auditee?  *Yes*  *No*

**City of Bryan, Texas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended September 30, 2020**

**Findings Required to be Reported by Government Auditing Standards**

Reference Number	Finding
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**2020-001 Finding: Preparation of Financial Statements**

**Criteria or specific requirement:** Management is responsible for establishing and maintaining effective internal controls over financial reporting. Effective internal controls are an important component of a system that helps ensure transactions are calculated properly, thereby providing accurate financial data. Specifically, the City should have controls in place to ensure that all transactions and balances that are supported by calculations performed outside of the accounting system, such as in spreadsheets or manually, are accurate.

**Condition:** Several issues were noted during preparation of the financial statements including:

- Incurred but not reported liabilities (IBNR) - The City's spreadsheet used to support the balance of IBNR for health insurance claims contained a clerical error of approximately \$958 thousand. The City ultimately prepared a revised calculation resulting in a passed audit adjustment of approximately \$214 thousand.
- Net Position - The City's government type activities net investment in capital assets balance was understated by approximately \$10.3 million and the City's unrestricted net position was overstated by approximately \$10.3 million due to an error in the spreadsheet formula supporting the balance as reported in the financial statements.
- Classification of current and non-current liabilities - The City's current liability for compensated absences was overstated by approximately \$1.1 million and the City's non-current liability for compensated absences was understated by approximately \$1.1 million as a result of an error in the spreadsheet formula used to perform the calculation.

**Effect:** The conditions noted above resulted in errors in financial statement amounts for IBNR, net position, and classification of current and non-current liabilities as noted in the condition above, two errors were corrected as a result of audit adjustments and one was reported as a proposed but passed audit adjustment.

**Cause:** The City utilized excel spreadsheets in calculating each of these balances. The errors in the spreadsheets supporting IBNR and the classification of current and non-current liabilities were caused by clerical errors in the formulas. The error in the spreadsheet supporting net position was caused by an incorrect formula.

**Recommendation:** We recommend the City establish a financial reporting policy and procedure to address preparation and review of significant balances that are derived or calculated using spreadsheets or other manual calculations outside of the accounting software system.

**Views of responsible officials and planned corrective actions:** The City agrees with the finding.

The Finance department will implement more detailed review processes for the financial reports at year end. These will include:

1. Excel model modification and review
2. External (to the department) review of the financials before year-end close and submission of the reports
3. Internal review of the compilation of the report by specific personnel and reassignment of tasks based on that review

**City of Bryan, Texas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended September 30, 2020**

**Findings Required to be Reported by the Uniform Guidance**

<b>Reference Number</b>	<b>Finding</b>
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No matters are reportable.

**City of Bryan, Texas**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended September 30, 2020**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
2019-001	<p>Restatement of Prior Year Financial Statements</p> <p>Criteria or specific requirement: The City's internal controls should be designed to prevent, or detect and correct, misstatements within the financial statements in a timely basis.</p> <p>Condition: The City's 2018 financial statements understated the net position of the government type activities and overstated the net position of the debt service fund.</p> <p>Effect: The City's 2019 beginning fund balance of the debt service fund was restated to conform to accounting principles generally accepted in the United States (GAAP). The City's net position of the government type activities was corrected through an adjustment to the current year statement of changes in net position.</p> <p>Cause: The City's year end reconciliation and financial statement review processes were not sufficient to identify errors in the financial statements.</p> <p>Recommendation: We recommend that management strengthen its internal controls over year end reconciliations and financial statement reviews to ensure balances are reported in accordance with GAAP.</p> <p>Views of responsible officials and planned corrective actions: We agree. Management will strengthen its internal controls over year-end reconciliations and financial statement reviews to ensure balances are reported in accordance with GAAP.</p>	Resolved