

City of Bryan, Texas

Federal Single Audit Report

For the Fiscal Year Ended September 30, 2022



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Federal Single Audit Report
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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 of the
City of Bryan, 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, 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 fiscal year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon March 24, 2023.

Our report includes a reference to other auditors who audited the financial statements of City of Bryan and Brazos County Economic Development Foundation, Inc. and Brazos Valley Solid Waste Management Agency, Inc. , joint ventures of the City, and Destination Bryan, a blended component unit of the City, as described in our report on the City's financial statements. The financial statements of these organizations were not audited in accordance with *Government Auditing Standards*.

Report on 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 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 were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

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

Report on 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 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*.

City of Bryan's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other 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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas

March 24, 2023



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

Opinion on Each 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 each of the City's major federal programs for the fiscal year ended September 30, 2022. 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.

The City's financial statements include the operations of City of Bryan and Brazos County Economic Development Foundation, Inc. and Brazos Valley Solid Waste Management Agency, Inc. , joint ventures of the City, and Destination Bryan, a blended component unit of the City. Our audit, described below, did not include the operations of these organizations because these organizations were audited by other auditors.

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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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.

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 as of and for the fiscal year ended September 30, 2022 and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 24, 2023 which contained unmodified opinions on those financial statements and a reference to other auditors. 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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas

March 24, 2023

City of Bryan, Texas

Schedule of Expenditures of Federal Awards For the Fiscal Year Ended September 30, 2022

Federal Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Assistance Listing Number	Total Federal Expenditures	Passed Through to Subrecipients
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Awards:				
Community Development Block Grant 2020		14.218	\$ 138,751	\$ -
COVID-19 - Community Development Block Grants - CARES		14.218	26,871	26,871
COVID-19 - Community Development Block Grant 2020 CV3		14.218	240,657	194,427
Community Development Block Grant 2021		14.218	449,702	114,025
Total Community Development Block Grant Entitlement Grants Cluster			855,981	335,323
Community Development TDHCA TERAP		14.228	20,514	20,514
Home Investment Partnership 2016		14.239	52,044	-
Home Investment Partnership 2017		14.239	25,081	-
Home Investment Partnership 2018		14.239	107,234	-
Home Investment Partnership 2019		14.239	161,072	35,105
Home Investment Partnership 2020		14.239	156,578	-
Home Investment Partnership 2021		14.239	35,470	-
Total Home Investment Partnership			537,479	35,105
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			1,413,974	390,942
U.S. DEPARTMENT OF JUSTICE				
Direct Awards:				
Bulletproof Vest Partnership (BVP)		16.607	25,185	-
Edward Byrne Memorial Justice Assistance Grant Program 2021		16.738	23,430	22,589
Passed through Brazos Valley Council of Governments:				
Edward Byrne Memorial Justice Assistance Grant Program 2021	4253301	16.738	79,721	-
Total Edward Byrne Memorial Justice Assistance Grant Program 2021			103,151	22,589
TOTAL U.S. DEPARTMENT OF JUSTICE			128,336	22,589
U.S. DEPARTMENT OF TREASURY				
Direct Awards:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds		21.027	10,065,600	-
TOTAL U.S. DEPARTMENT OF TREASURY			10,065,600	-
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through Texas Department of Transportation:				
COVID-19 - Airport Improvement Program	M2217BRYA	20.106	50,000	-
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			50,000	-
U.S. DEPARTMENT OF HOMELAND SECURITY				
Direct Awards:				
Staffing for Adequate Fire and Emergency Response (SAFER)		97.083	187,944	-
Disaster Grants - Public Assistance				
Emergency Protective Measures		97.036	93,542	-
Snow Removal and Water Extraction		97.036	24,313	-
Poles & Transformers Damages		97.036	65,051	-
Line Suspension Damage		97.036	13,370	-
Management Costs		97.036	10,904	-
Total Assistance Listing Number 97.036			207,180	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			395,124	-
TOTAL FEDERAL AWARDS EXPENDED			\$ 12,053,034	\$ 413,531

The Notes to Schedule of Expenditures of Federal Awards are an integral part of this schedule.

City of Bryan, Texas

Notes to Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2022

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 this schedule. The information on this schedule is prepared 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).

Note 2. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund types are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in a special revenue fund, a component of the governmental fund type or general fund. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing resources) and decreases (i.e. expenditures and other financing uses) in fund balance.

The modified accrual basis of accounting is used for the governmental fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual (i.e. both measurable and available); and, expenditures in the accounting period in which the fund liability is incurred, if measurable. Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly when such funds are received, they are recorded as deferred revenues until earned.

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

Note 3. Availability of Federal Grant Funds

The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions of the *OMB Compliance Supplement*.

Note 4. Relationship to Federal Financial Reports

Grant expenditures reports as of September 30, 2022, 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.

City of Bryan, Texas

Notes to Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2022

Note 5. Loans Outstanding

The City had the following loan balance outstanding as of September 30, 2022 under the United States Environmental Protection Agency Capitalization Grants for Drinking Water State Revolving Funds program (passed through the Texas Water Development Board).

<u>Program Title</u>	<u>Assistance Listing Number</u>	<u>Loan Balance September 30, 2021</u>	<u>Repayments</u>	<u>Loan Balance September 30, 2022</u>
Capitalization Grants for Clean Water State Revolving Funds	66.468	\$ 8,990,000	\$ 1,535,000	\$ 7,455,000

Loans received under this program do not have continuing compliance requirements. There were no expenditures during the year ended September 30, 2022 related to this loan program.

Note 6. Prior Year Federal Expenditures

The City disclosed amounts in the Schedule for expenditures incurred in a prior year as follows:

<u>Description</u>	<u>Amount</u>
Federal Program Assistance Listing Number 97.036 - Public Assistance Grant	
Emergency Protective Measures	\$ 93,542
Snow Removal and Water Extraction	24,313
Poles & Transformers Damages	65,051
Line Suspension Damage	13,370
Total	\$ 196,276

City of Bryan, Texas

Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended September 30, 2022

Section 1. Summary of Auditor's Results

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditor's report issued | Unmodified |
| 2. Internal Control over Financial Reporting: | |
| a. Material Weakness(es) identified? | Yes |
| b. Significant Deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| 3. Noncompliance material to Financial Statements noted? | No |

Federal Awards

- | | |
|---|--|
| 4. Internal control over major programs: | |
| a. Material Weakness(es) identified? | No |
| b. Significant Deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| 5. Type of auditor's report issued on compliance with major programs | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 516(a) of Uniform Guidance? | No |
| 7. Identification of Major Federal Programs | Coronavirus State and Local Fiscal Recovery Funds – 21.027 |
| 8. Dollar threshold used to distinguish between Type A and Type B federal programs | \$750,000 |
| 9. Auditee Qualified as a Low-Risk Auditee? | Yes |

City of Bryan, Texas

Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended September 30, 2022

Section 2. Financial Statement Findings

Finding 2022-001

Material Weakness in Financial Reporting: Escalation process and oversight – financial reporting

Criteria: Management is responsible for the accuracy and completeness of financial information and for establishing and maintaining effective internal control over financial reporting. The City of Bryan Audit Committee monitors the integrity of the City's financial reporting process and related system of internal controls.

Condition: The City's 2022 financial statements include an adjustment to correct a material misstatement of a prior period. The misstatement originated in a prior period during the process of evaluating the appropriate application of generally accepted accounting principles (GAAP) to a specific governmental accounting topic, and was identified as a misstatement by management in that same prior period. However, due to a deficiency in the design of the City's system of internal controls over financial reporting, involving the respective roles and functions of management and the Audit Committee, management lacked an effective mechanism to escalate the issue, resolve the misstatement, and implement a final conclusion with respect to the correct application of GAAP based on the circumstances.

Effect or Potential Effect: Misstatements to the City's financial statements were not prevented or corrected by the City's system of internal control. Beginning fund balance in the debt service fund in the 2022 financial statements was restated by \$2,461,413 to correct the prior period misstatement. If not remediated, the deficiency in internal controls could allow future misstatements to occur and the effect of such misstatements could be material.

Cause: See also "Condition" above. Involvement of the Audit Committee in the resolution of the accounting application and conclusion was warranted; however, a mechanism to escalate the issue in a timely and effective manner was not in place.

Recommendation: We recommend consideration of the development or clarification of guidelines to facilitate Audit Committee involvement in financial reporting matters relevant to the oversight role of the Committee, including designation of criteria or conditions which require Audit Committee notification and/or consultation. Furthermore we recommend that the mechanism of such notification and/or consultation be designed to facilitate timely engagement and effective communication and sharing of information to support and ensure timely resolution of accounting and financial reporting-related matters.

Views of Responsible Official(s) and Planned Corrective Action: See corrective action plan

Section 3. Federal Award Findings and Questioned Costs

None reported

Section 4. Prior Year Audit Findings

None reported



Corrective Action Plan

Finding 2022-001: Material weakness in financial reporting: Escalation process and oversight responsibility

As a part of the audit process going forward, if there are issues with restatements where management disagrees with a financial statement recommendation by the City's external auditor, management will escalate this decision to the Audit Committee or the City Council as appropriate.

Responsible Person: Chief Financial Officer

Estimated Completion Date: March 24, 2023