



ARMSTRONG, BACKUS & CO., LLP

Certified Public Accountants

CITY OF SAN ANGELO, TEXAS

Single Audit Report

For the Year Ended September 30, 2013



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CITY OF SAN ANGELO, TEXAS

Single Audit Report

For the Year Ended September 30, 2013

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**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 Auditors' Report

Honorable Mayor and City Council
City of San Angelo, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of San Angelo, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City of San Angelo, Texas' basic financial statements and have issued our report thereon dated April 28, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of San Angelo, 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 City of San Angelo, Texas' internal control. Accordingly, we do not express an opinion of the effectiveness of City of San Angelo, 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 City of San Angelo, Texas' 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*.

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.

Armstrong, Backus & Co., L.L.P.

San Angelo, Texas
April 28, 2014





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Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditors' Report

Honorable Mayor and City Council
City of San Angelo, Texas

Report on Compliance for Each Major Federal Program

We have audited City of San Angelo, 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 City of San Angelo, Texas' major federal programs for the year ended September 30, 2013. City of San Angelo, 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 City of San Angelo, Texas' 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit 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 City of San Angelo, 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 City of San Angelo, Texas' compliance.

Opinion on Each Major Federal Program

In our opinion, City of San Angelo, 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, 2013.

Report on Internal Control Over Compliance

Management of City of San Angelo, 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 City of San Angelo, Texas' 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 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 City of San Angelo, 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.

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.



Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of City of San Angelo, Texas as of and for the year ended September 30, 2013, and have issued our report thereon dated April 28, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Armstrong, Backus & Co., L.L.P.

San Angelo, Texas
April 28, 2014



CITY OF SAN ANGELO

Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Grant Number	Federal CFDA Number	Disbursements/ Expenditures	Pass-Through Amount to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed-Through the Texas Department of State Health Services:</i>				
Special Supplemental Nutrition Program For Women, Infants and Children (WIC)	2013-042812-001	10.557	\$ 812,554	\$ -0-
			<u>\$ 812,554</u>	<u>\$ -0-</u>
U.S. DEPARTMENT OF THE INTERIOR				
<i>Passed-Through the Texas Parks and Wildlife Department</i>				
TPWD National Recreational Trails Program		15.921	\$ -0-	\$ -0-
			<u>\$ -0-</u>	<u>\$ -0-</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>Direct Programs:</i>				
Community Development Block Grant	B-10-MC-48-0025	14.218	\$ 159,720	\$ -0-
Community Development Block Grant	B-11-MC-48-0025	14.218	153,779	-0-
Community Development Block Grant	B-12-MC-48-0025	14.218	559,605	-0-
			<u>\$ 873,104</u>	<u>\$ -0-</u>
HOME Investment Partnership Program	M10-MC-48-0224	14.239	\$ 48,112	\$ 12,184
HOME Investment Partnership Program	M11-MC-48-0224	14.239	260,829	141,773
HOME Investment Partnership Program	M12-MC-48-0224	14.239	118,852	-0-
HOME Investment Partnership Program	M13-MC-48-0224	14.239	2,200	-0-
			<u>\$ 429,993</u>	<u>\$ 153,957</u>
EDI Special Project	B-09-SP-TX-0175		\$ 142,500	\$ -0-
			<u>\$ 142,500</u>	<u>\$ -0-</u>
<i>Passed-Through the Texas Department of Rural Affairs</i>				
Texas Neighborhood Stabilization Program	77099999128	14.228	\$ -0-	\$ -0-
			<u>\$ -0-</u>	<u>\$ -0-</u>
U.S. DEPARTMENT OF TRANSPORTATION				
<i>Direct Programs:</i>				
Airport Improvement Program	3-48-0191-030-2010	20.106	\$ -0-	\$ -0-
Airport Improvement Program	3-48-0191-031-2010	20.106	310,803	-0-
Airport Improvement Program	3-48-0191-032-2011	20.106	422,775	-0-
Airport Improvement Program	3-48-0191-033-2012	20.106	979,261	-0-
Small Community Air Service Development Program	DOT-OST-2011-0119	20.106	-0-	-0-
			<u>\$ 1,712,839</u>	<u>\$ -0-</u>
<i>Passed-Through the Texas Department of Transportation</i>				
Highway Research, Planning and Construction	50-13XF0014	20.205	\$ 242,510	\$ -0-
			<u>\$ 242,510</u>	<u>\$ -0-</u>
U.S. DEPARTMENT OF JUSTICE				
<i>Direct Programs:</i>				
2012 Justice Assistance Grant	2012-DJ-BX-0539	16.710	\$ 25,924	\$ -0-
2013 Justice Assistance Grant	2013-DJ-BX-1140	16.710	22,741	-0-
			<u>\$ 48,665</u>	<u>\$ -0-</u>

CITY OF SAN ANGELO

Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Grant Number	Federal CFDA Number	Disbursements/ Expenditures	Pass-Through Amount to Subrecipients
U.S. DEPARTMENT OF HOMELAND SECURITY				
<i>Passed-Through the Texas Department of Public Safety:</i>				
Emergency Management Performance Grant	13TX-EMPG-0885	97.042	\$ 57,998	\$ -0-
			<u>\$ 57,998</u>	<u>\$ -0-</u>
<i>Passed-Through the Tom Green County United Way:</i>				
Emergency Food and Shelter Program	840400-001	97.024	\$ -0-	\$ -0-
			<u>\$ -0-</u>	<u>\$ -0-</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed-Through the Texas Department of State Health Services:</i>				
Centers for Disease Control and Prevention Investigations an	2013-041434-002	93.283	\$ 69,186	\$ -0-
			<u>\$ 69,186</u>	<u>\$ -0-</u>
Technical Assistance				
Preventive Health and Health Services Block Grant	2013-041431-001	93.991	\$ 131,777	\$ -0-
Preventive Health and Health Services Block Grant	2013-042769-001	93.991	15,524	-0-
			<u>\$ 147,301</u>	<u>\$ -0-</u>
NATIONAL ENDOWMENT FOR THE ARTS				
<i>Direct Programs:</i>				
Design - Concho River Trail	11-4292-7058	45.024	\$ 126,896	\$ -0-
			<u>\$ 126,896</u>	<u>\$ -0-</u>
Total Federal Expenditures			<u>\$ 4,663,546</u>	<u>\$ 153,957</u>

CITY OF SAN ANGELO, TEXAS

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2013

NOTE A - GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all applicable federal awards of the City of San Angelo for the year ended September 30, 2013. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule. Federal awards include expenditures funded with program income but exclude expenditures funded with City matching funds.

Federal programs were accounted for in Special Revenue and Capital Projects governmental fund types and the Enterprise proprietary fund type.

NOTE B - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting (accrual basis for proprietary funds) to the extent grants are approved and applicable government cost principles specified by each grant, contract, and agreement are allowed. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. The City does not recover indirect costs unless expressly allowed by each award.

Federal grant revenues are generally 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.

NOTE C - SUB-RECIPIENT FUNDING

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the City provided federal awards to sub-recipients totaling \$153,957. These awards were funded to various sub-recipients under the HOME Investment Partnership Program as follows:

<u>Program</u>	<u>CFDA Number</u>	<u>Amount</u>
HOME Investment Partnership Program	14.239	\$ 153,957

NOTE D - OUTSTANDING LOANS

The City has provided loans through its various housing programs. The outstanding balance of loans at September 30, 2013 was \$693,528.

CITY OF SAN ANGELO, TEXAS

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2013

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified opinion

Internal control over financial reporting:

Material weaknesses identified? No

Significant deficiencies identified that are not considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over financial reporting:

Material weakness identified? No

Significant deficiencies identified that are not considered to be material weaknesses? No

Type of auditors' report issued on compliance for major programs: Unqualified opinion

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? No

Identification of major programs:

CFDA # 20.106 – Airport Improvement Program

CFDA #10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children

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

Auditee qualified as low-risk auditee? Yes

II. Findings Relating to the Financial Statements

There were no findings noted.

III. Findings and Questioned Costs for Federal Awards

There were no findings noted.

CITY OF SAN ANGELO, TEXAS

Corrective Action Plan

For the Year Ended September 30, 2013

There were no findings; therefore, Corrective Action Plan – N/A.

CITY OF SAN ANGELO, TEXAS

Status of Prior Audit Findings

For the Year Ended September 30, 2013

12-01 – Reporting

- Condition: The final financial report for the Energy Efficiency and Conservation Block Grant was filed before expenditures were incurred by the City.
- Cause of Condition: The staff member in charge of administering this grant was not familiar with the accounting compliance requirements involving the reporting of Federal expenditures.
- Recommendation: We recommended that the City assign a qualified staff member to oversee all grants that is knowledgeable about the financial statement impact of Federal grants and grants' related compliance requirements. In addition, we recommended that the City assign a qualified staff member to review financial reports submitted to cognizant agencies and verify that information reported to grantors agrees with the accounting information recorded in the City's general ledger.
- Current Status: Reporting was correct for the year ended September 30, 2013 for the major programs tested, and there were no current year findings.

SUPPLEMENTARY INFORMATION



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Independent Auditors' Report on Supplementary Information

Honorable City Mayor and City Council
City of San Angelo, Texas

We have audited the financial statements of the governmental activities, the business-type activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of San Angelo, Texas, as of and for the year ended September 30, 2013, which collectively comprise the City of San Angelo, Texas' basic financial statements, and have issued our report thereon dated April 28, 2014, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of State Awards on page 14, which is the responsibility of management, is presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Armstrong, Backus & Co., L.L.P.

San Angelo, Texas
April 28, 2014

CITY OF SAN ANGELO

Schedule of Expenditures of State Awards

For the Year Ended September 30, 2013

<u>State Grantor/Pass-Through Grantor/Program Title</u>	<u>Grant Number</u>	<u>Program Award Amount</u>	<u>Disbursements/ Expenditures</u>
SPECIAL EVENTS TRUST FUND			
NRCHA Celebration of Champions		\$ 95,234	\$ -0-
TEXAS PARKS AND WILDLIFE			
San Angelo Concho River Trail II	50-000444	500,000	238,141
		<u>\$ 595,234</u>	<u>\$ 238,141</u>

