

City of Waco, Texas
Compliance and Internal Control Reports
Under *Governmental Auditing Standards*,
Office of Management and Budget Circular A-133
and *Uniform Grant Management Standards*
Schedules of Expenditures of Federal
and State Awards
September 30, 2008

City of Waco, Texas

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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*

To the Honorable Mayor and Members of the City Council
City of Waco, Texas:

We have audited 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 Waco, Texas (the City) as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 23, 2009. 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.

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 *control deficiency* 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Internal Control Over Financial Reporting (continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

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 City Council, others within the City, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Jaynes, Reitzmeier, Boyd & Threlkett, P.C.

January 23, 2009



Report on Compliance with Requirements
Applicable to Each Major Federal and State Program and
Internal Control Over Compliance in Accordance with
OMB Circular A-133 and
Uniform Grant Management Standards

To the Honorable Mayor and Members of the City Council
City of Waco, Texas:

Compliance

We have audited the compliance of the City of Waco, 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* and the *Uniform Grant Management Standards* that are applicable to each of its major federal and state programs for the year ended September 30, 2008. The City's major federal and state 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 and state 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *Uniform Grant Management Standards* of the State of Texas. 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 or state 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 requirements referred to above that are applicable to each of its major federal and state programs for the year ended September 30, 2008.

Internal Control Over Compliance

The 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 and state 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 or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in the City's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the City's internal control.

A *material weakness* is a significant control deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected by the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

Schedules of Expenditures of Federal and State Awards

We have audited 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 Waco, Texas, as of and for the year ended September 30, 2008, and have issued our report thereon dated January 23, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by OMB Circular A-133 and *Uniform Grant Management Standards*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Jayns, Reitmeyer, Boyd & Threlk, P.C.

January 23, 2009

City of Waco, Texas

Schedule of Findings and Questioned Costs

Year Ended September 30, 2008

(1) Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes x no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes x none reported

Noncompliance material to financial statements noted? _____ yes x no

Federal and State Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes x no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes x none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 and the Uniform Grant Management Standards? _____ yes x no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.557	Supplemental Food Program for Women, Infants and Children
Federal Transit Cluster:	
20.500	Federal Transit Capital Investment Grant
20.507	Federal Transit Urbanized Area Formula Program
97.004	2005 State Homeland Security Program

Identification of major state programs:

<u>Grant Number(s)</u>	<u>Name of State Program or Cluster</u>
746002484	Texas Department of Health/Office of Public Health Practice/ Local Public Health Support

Dollar threshold used to distinguish between type A and type B federal programs: _____ \$472,907

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

Auditee qualified as federal low-risk auditee? x yes _____ no

Auditee qualified as state low-risk auditee? x yes _____ no

City of Waco, Texas

Schedule of Findings and Questioned Costs
(Continued)

(2) Financial Statement Findings

None noted.

(3) Federal Award Findings and Questioned Costs

None noted.

(4) State Award Findings and Questioned Costs

None noted.

City of Waco, Texas

Summary Schedule of Prior Audit Findings

September 30, 2008

None

City of Waco, Texas

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2008

Grantor/Pass-Through Grantor/Program Title	CFDA Number	Identifying Number	Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through Texas Department of Health:			
Supplemental Food Program for Women, Infants and Children	10.557	2008-024664-001	\$ 814,053
Peer for Women, Infants and Children	10.557	2008-024664-001	76,893
Farmers Market Nutrition Women, Infants and Children	10.557	2008-024664-001	5,561
Registered Dietician	10.557	2008-024664-001	37,080
Clinical Lactation Practicum	10.557	2008-024664-001	15,000
Obesity Prevention Project	10.557	2008-024664-001	17,550
Lighten Up	10.557	2008-024664-001	1,485
Extra funding	10.557	2008-024664-001	67,238
Electronic BTP	10.557	2008-024664-001	36,873
Total Passed through the Texas Department of Health			<u>1,071,733</u>
Total U.S. Department of Agriculture			<u>1,071,733</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Programs:			
Community Development Block Grant	14.218	B-05&06-MC-480029	1,954,891
HOME Investment Partnership Program	14.239	M-03,04,05,06,07-MC-480202	1,722,012
Shelter Plus Care:			
Main Stream Homeless	14.238	TX01C604004	19,861
Chronic Homeless	14.238	TX01C604001	3,878
Total Direct Programs			<u>3,700,642</u>
Passed through the Brazos Valley Council of Governments:			
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	H2008-WMCPHD	23,394
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	5574-553-01	39,878
Total Passed through the Brazos Valley Council of Governments			<u>63,272</u>
Total U.S. Department of Housing and Urban Development			<u>3,763,914</u>
<u>U. S. Department of Interior</u>			
Passed through the National Park Service			
Waco Mammoth Site	15.929	48-06-ML-0474	133,472
Passed through the Texas Historic Commission			
1980s Historic Resources Survey Update	15.904	TX-07-034	9,991
Total U. S. Department of Interior			<u>143,463</u>

City of Waco, Texas

**Schedule of Expenditures of Federal Awards
(Continued)**

Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Entity Identifying Number	Expenditures
<u>U.S. Department of Justice</u>			
Direct Programs:			
Law Enforcement Equipment and Cadet Program	16.579	2005-DJ-BX-0128	\$ 7,174
Law Enforcement Police Cadet Program	16.579	2006DJBX0181	30,457
Byrne Justice Assistance	16.579	2007DJBX0674	28,510
COPS Technology	16.710	2005-CKWX0128	211,861
COPS MDC	16.710	2005-CKWX0129	6,563
Total Direct Programs			<u>284,565</u>
Passed through the State Governor's Office - Criminal Justice Division:			
Waco Family Violence Unit Detectives & Coordinator/10	16.588	1342410	70,420
Waco Family Violence Unit Detectives & Coordinator/11	16.588	1342411	5,709
Total Passed through the State Governor's Office - Criminal Justice Division			<u>76,129</u>
Total U.S. Department of Justice			<u>360,694</u>
 <u>U.S. Department of Transportation</u>			
Direct Programs:			
Airport Improvement Program (FAA)	20.106	3-48-0220-02-2004	187,958
Airport Improvement Program (FAA)	20.106	3-48-0220-03-2006	1,688,846
Airport Improvement Program (FAA)	20.106	3-48-0220-04-2007	1,089,633
Airport Improvement Program (FAA)	20.106	3-48-0220-05-2008	239
Federal Transit Capital Investment Grant	20.500 *	TX-03-0294-00	2,522,407
Federal Transit Urbanized Area Formula Program	20.507 *	TX-90-X757-00	2,223,562
Total Direct Programs			<u>7,712,645</u>
Passed through the Texas Department of Transportation:			
Metropolitan Planning Grant	20.205	50-8XXF0007	153,533
Transportation Enhancement Project (Brazos River Walk Extension)	20.205	CSJ0909-22-120	655,186
Transportation Enhancement Project (McGregor Road Neighborhood Trails)	20.205	CSJ0909-22-136	9,231
Texas Traffic Safety Program Grant - STEP CMV	20.600 **	588XXF6144	362
Texas Traffic Safety Program Grant - STEP Comprehensive	20.600 **	588EGF6118	61,901
Texas Traffic Safety Program Grant - STEP - Impaired Driving Mobilization	20.601 **	588XXF6017	1,002
Total Passed through the Texas Department of Transportation			<u>881,215</u>
Total U.S. Department of Transportation			<u>8,593,860</u>

City of Waco, Texas

**Schedule of Expenditures of Federal Awards
(Continued)**

Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Entity Identifying Number	Expenditures
<u>Federal Emergency Management Agency</u>			
Passed through the Texas Department of Public Safety:			
Public Assistance Grant (Disaster#: FEMA 1709-DR State: TX)	97.036	309-76000-00	\$ 143,580
Public Assistance Grant (Disaster#: FEMA EM-3294-TX)	97.036		<u>30,000</u>
Total Passed through the State Department of Public Safety			<u>173,580</u>
Total Federal Emergency Management Agency			<u>173,580</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through the Texas Department of Health:			
Immunizations Branch - Locals	93.268	2008-023620-001	208,753
Immunizations Branch - Locals	93.268	2009-028864-001	25,049
HIV/Prevention	93.940	2008-023784-001A	127,036
RLSS - Local Public Health Systems	93.991	2008-024493-001A	54,559
Centers for Disease Control & Prevention Investigation and Technical Assistance/ Bioterrorism Preparedness	93.283	2008-022938-001B	246,076
Centers for Disease Control & Prevention Investigation and Technical Assistance/ Bioterrorism Preparedness	93.283	2008-027968-001	28,325
Total Passed through the Texas Department of Health			<u>689,798</u>
Passed through the Brazos Valley Council of Governments:			
Health Assistance Contract - Ryan White Title II Services	93.917	RW2008-WMCPHD	142,678
Health Assistance Contract - Ryan White Title II Services	93.917	5576-553-03	<u>153,545</u>
Total Passed through the Brazos Valley Council of Governments			<u>296,223</u>
Total U.S. Department of Health and Human Services			<u>986,021</u>
<u>U. S. Department of Homeland Security</u>			
Passed through the Transportation Security Administration:			
Law Enforcement Officer Reimbursement Agreement Program	97.009	HSTS0208HSLR003	<u>131,590</u>
Total Passed through the Transportation Security Administration			<u>131,590</u>
Passed through the Texas Engineering Extension Service:			
2005 State Homeland Security Program	97.004	2005-GE-T5-4025	415,798
2006 State Homeland Security Program	97.073	2006-GE-T6-0068	<u>51,298</u>
Total Passed through the Texas Engineering Extension Service			<u>467,096</u>

City of Waco, Texas

Schedule of Expenditures of Federal Awards
(Continued)

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
<u>U. S. Department of Homeland Security (continued)</u>			
Passed through the State Department of Public Safety:			
Emergency Management Performance Grant	97.042	08TX-EMPG-1296	\$ <u>71,599</u>
Total Passed through the State Department of Public Safety			<u>71,599</u>
Total U.S. Department of Homeland Security			<u>670,285</u>
Total Expenditures of Federal Awards			<u>\$ 15,763,550</u>

* Federal award cluster
** State award cluster

City of Waco, Texas

Schedule of Expenditures of State Awards

Year Ended September 30, 2008

Grantor/Pass-Through Grantor/Program Title	Grant Identifying Number	Expenditures
<u>Texas Department of Health</u>		
Direct Programs:		
HSR 7- Tuberculosis	2008-024714-001	\$ 34,289
HSR 7- Tuberculosis	2009-029699-001	2,344
RLSS - Local Public Health System	2008-024493-001A	153,999
RLSS - Local Public Health System	2009-028285-001	17,237
Immunization Branch - Locals	2008-023620-001	93,042
Diabetes - Community Diabetes Services	2008-022843-001	75,233
Diabetes - Community Diabetes Services	2009-028208-001	5,547
Total Direct Programs		381,691
Passed through the Brazos Valley Council of Governments:		
HIV/State Services	5573-553-01	69,052
HIV/State Services	5578-553-01	3,567
Total Passed through the Brazos Valley Council of Governments		72,619
Total Texas Department of Health		454,310
<u>State of Texas Comptroller's Office</u>		
Police LEOSE Grant		19,708
Fire LEOSE Grant		280
Smoking Grant		6,622
Total State of Texas Comptroller's Office		26,610
<u>State of Texas Office of Attorney General</u>		
Other Victim Assistance Grant (OVAG) 2008	0802454	38,995
Other Victim Assistance Grant (OVAG) 2009	0802454	3,478
Total State of Texas Office of Attorney General		42,473
<u>Texas Department of Transportation</u>		
Public Transportation Grant Program FY 2008	URB0803-09	427,581
Routine Airport Maintenance Program FY 2008	M809WACOR	14,870
Total Texas Department of Transportation		442,451
<u>Texas Commission on Environmental Quality</u>		
Passed through the Heart of Texas Council of Governments:		
Household Hazardous Waste Management	08-11-G02	20,413
Total Passed through the Heart of Texas Council of Governments		20,413
Total Texas Commission on Environmental Quality		20,413

City of Waco, Texas

Schedule of Expenditures of State Awards
(Continued)

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Grant Identifying Number</u>	<u>Expenditures</u>
<u>Texas State Library and Archives Commission</u>		
Loan Star Libraries Grant	442-08510	\$ 36,604
Gates Public Access Computer Hardware Upgrade Grant	434-07288	<u>4,474</u>
Total Texas State Library and Archives Commission		<u>41,078</u>
<u>Texas Parks and Wildlife</u>		
Lake Waco Wetlands Trail Project Grant	146602	<u>17,135</u>
Total Texas Parks and Wildlife		<u>17,135</u>
<u>Texas Alcoholic Beverage Commission</u>		
Enforcing Underage Drinking Laws	87002	<u>37,330</u>
Total Texas Alcoholic Beverage Commission		<u>37,330</u>
Total Expenditures of State Awards		<u>\$ 1,081,800</u>

See accompanying notes to schedules of expenditures of federal and state awards.

City of Waco, Texas

Notes to Schedules of Expenditures of Federal and State Awards

Year Ended September 30, 2008

(1) Basis of Presentation

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the City of Waco, Texas (the City) and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and *Uniform Grant Management Standards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) Subrecipients

The City provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
Community Development Block Grant	14.218	\$ 568,333
HOME Investment Partnership Program	14.239	613,878