

*SINGLE AUDIT REPORTS*

**CITY OF LEAGUE CITY,  
TEXAS**

**For the Year Ended  
September 30, 2019**

# CITY OF LEAGUE CITY, TEXAS

## *SINGLE AUDIT REPORTS*

September 30, 2019

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**INDEPENDENT AUDITORS' 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**

March 27, 2020

To the Honorable Mayor and City Council  
Members of the  
City of League City, 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 units, each major fund, and the aggregate remaining fund information of the City of League City, Texas (the "City"), as of and for the year ended September 30, 2019, 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 27, 2020.

**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 City'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 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 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM  
GUIDANCE, AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

March 27, 2020

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

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

We have audited the City of League City, 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 year ended September 30, 2019. The City's major federal programs are identified in the summary of auditors' 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.

**Auditors' Responsibility**

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

### **Opinion on Each 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 each of its major federal programs for the year ended September 30, 2019.

### **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 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 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 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.

### **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 units, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 27, 2020 which contained unmodified opinions on those financial statements. 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.

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.

*B*ELT *H*ARRIS *P*ECHACEK, LLLP

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas

**CITY OF LEAGUE CITY, TEXAS**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
For the Year Ended September 30, 2019

**2018-001: Improper revenue recognition**

**Type of finding: Material weakness in internal control over financial reporting**

**Condition:** During the fiscal period ended September 30, 2018, the City improperly recognized revenue from grant funding and an interlocal reimbursement that were earned but not collected within 120 days of the end of the current fiscal period.

**Recommendation:** We recommend that the City implement procedures to timely evaluate uncollected earned revenues to ensure they meet the criteria for recognition based on the City's established policy.

**Current Status:** The City has corrected the deficiency.

**2018-002: Inadequate bank reconciliations**

**Type of finding: Material weakness in internal control over financial reporting**

**Condition:** During the month ended September 30, 2018, the City did not identify electronic fund transfers (EFTs) that were initiated prior to fiscal year end and did not clear the bank statement until subsequent to year end, resulting in the overstatement of accounts payable and the overstatement of cash balances at September 30, 2018.

**Recommendation:** We recommend that the City implement procedures to include all bank transactions in the monthly reconciliation process to identify any payments initiated prior to period end to ensure bank reconciliations are prepared properly and reconciled to the general ledger.

**Current Status:** The City has corrected the deficiency.

**2018-003 Improper review of supporting documentation**

**Federal Program:** Disaster Grants – Public Assistance

**Federal Agency:** U.S. Department of Homeland Security

**CFDA:** 97.036

**Pass-through Entity:** Texas Department of Public Safety

**Compliance requirements:** Allowable cost activities and cost principles, cash management, and reporting

**Type of finding: Material weakness in internal control over compliance and noncompliance**

**Condition:** During our audit, we tested 12 employees' total payroll costs submitted for reimbursement and identified 12 discrepancies out of 202 days tested that did not agree to the underlying timesheets. The amount charged to the grant in excess of the supporting timesheets totaled \$610 for the population tested.

**Recommendation:** We recommend that the City review all information provided by the third-party consultant to ensure costs are accurate and adequately supported prior to submitting for reimbursement.

**Current Status:** The City has corrected the deficiency.

**CITY OF LEAGUE CITY, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended September 30, 2019

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unmodified opinion on the basic financial statements of the City of League City, Texas.
2. No significant deficiencies or material weaknesses in internal control were disclosed by the audit of the basic financial statements.
3. No instances of noncompliance material to the basic financial statements were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs were disclosed by the audit.
5. The auditors' report on compliance for the major federal award programs expresses an unmodified opinion.
6. No audit findings relative to the major federal award programs for the City are reported in Part C of this schedule.
7. The programs included as major programs included:

CFDA Number	Program Title
14.218	Community Development Block Grant
97.036	Disaster Grants - Public Assistance

8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The City did not qualify as a low-risk auditee in the context of the Uniform Guidance.

**B. FINDINGS – BASIC FINANCIAL STATEMENTS AUDIT**

None

**C. FINDINGS – FEDERAL AWARDS**

None

**CITY OF LEAGUE CITY, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended September 30, 2019

Department/Pass-Through Agency/Program Name	CFDA Number	Pass-Through Entity Identifying Number	Expenditures
<b>U.S. Department of Housing and Urban Development</b>			
<i>Direct Award</i>			
Community Development Block Grant	14.218	N/A	\$ 726,449
<b>Total U.S. Department of Housing and Urban Development</b>			<u>726,449</u>
<b>U.S. Department of Justice</b>			
<i>Direct Award</i>			
Organized Crime Drug Enforcement Task Force - Galveston	16.999	N/A	18,344
Joint Law Enforcement Operations Task Force Program	16.999	N/A	1,984
<b>Subtotal</b>			<u>20,328</u>
<i>Pass-through Texas Office of the Governor</i>			
Victims of Crime Act Formula Grant Program	16.575	VA-16-V30-25069-06	103,428
Emergency Law Enforcement Assistance (ELEA)	16.824	3724501	17,962
<b>Total U.S. Department of Justice</b>			<u>141,718</u>
<b>U.S. Department of Transportation</b>			
<i>Pass-through Texas Department of Transportation</i>			
Federal Highway Administration (FHWA)	20.205	ROW CSJ 0500-04-120 / U14908	713,116
<b>Total U.S. Department of Transportation</b>			<u>713,116</u>
<b>U.S. Institute of Museum and Library Services</b>			
<i>Pass-through Texas State Library and Archives Commission</i>			
Interlibrary Loan Program	45.310	LS-00-18-0044-18	10,332
<b>Total U.S. Institute of Museum and Library Services</b>			<u>10,332</u>
<b>U.S. Department of Homeland Security</b>			
<i>Pass-through Texas Division of Emergency Management</i>			
Disaster Grants - Public Assistance	97.036	4332DRTXP0000001	1,070,912
Emergency Management Performance Grant	97.042	EMT-2019-EP-00005	36,072
<i>Pass-through Texas Office of the Governor</i>			
Homeland Security Grant Program (HSGP)	97.067	3631001	79,281
<b>Total U.S. Department of Homeland Security</b>			<u>1,186,265</u>
<b>Total Federal Award Expenditures</b>			<u>\$ 2,777,880</u>

# **CITY OF LEAGUE CITY, TEXAS**

## **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the Year Ended September 30, 2019**

### **1. REPORTING ENTITY**

The accompanying schedule of expenditures of federal awards (the "Schedule") presents the activity of all federal financial assistance programs of the City of League City, Texas.

### **2. BASIS OF ACCOUNTING**

The 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). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principals contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent, adjustments or credits made in the normal course to amounts reported as expenditures in prior years.

### **3. INDIRECT COST RATE**

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