

**City of Santa Fe, Texas**

***SINGLE AUDIT REPORTS***

**Fiscal Year Ended  
September 30, 2013**



**City of Santa Fe, City of**  
***SINGLE AUDIT REPORTS***  
**Year Ended September 30, 2013**

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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**

To the Honorable Mayor and  
Members of City Council  
City of Santa Fe, 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 and each major fund of City of Santa Fe's as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise City of Santa Fe's basic financial statements, and have issued our report thereon dated February 3, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Santa Fe'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 City of Santa Fe's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Santa Fe'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. 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 Santa Fe'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 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.

A handwritten signature in black ink that reads "Sam Karp & Co." The signature is written in a cursive style with a large, sweeping initial 'S'.

Sugar Land, Texas  
February 3, 2014



130 Industrial Blvd, Suite 130 • Sugar Land, Texas 77478 • 281/242-3232 • fax 281/242-3252 • www.sktx.com

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND THE STATE OF  
TEXAS SINGLE AUDIT CIRCULAR**

To the Honorable Mayor and  
Members of City Council  
City of Santa Fe, Texas

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

We have audited City of Santa Fe's 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 Santa Fe's major federal program for the year ended September 30, 2013. City of Santa Fe's 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 Santa Fe'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the State of Texas Single Audit Circular, issued by the Governor of the State of Texas. Those standards, OMB Circular A-133 and the State of Texas Single Audit Circular 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 City of Santa Fe'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 City of Santa Fe's compliance.

***Opinion on Each Major Federal and State Program***

In our opinion, City of Santa Fe's 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 Santa Fe's 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 Santa Fe's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state 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 and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular, 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 Santa Fe'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 or state 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 or state 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 or state 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.

## **Schedule of Expenditures of Federal and State Awards**

We have audited the financial statements of the governmental activities and each major fund of City of Santa Fe's, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise City of Santa Fe's basic financial statements. We issued our report thereon dated February 3, 2014, 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 and state awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of Texas Single Audit Circular 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 and state awards is fairly stated in all material respects in relation to the basic financial statements taken 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 OMB Circular A-133 and the State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.



Sugar Land, Texas  
February 3, 2014



**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

# City of Santa Fe, Texas

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2013

FEDERAL GRANTOR/PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	CONTRACT TERM	EXPENDITURES
<b>FEDERAL AWARDS:</b>				
<b>US Department of Housing and Urban Development</b>				
<u>Passed Through Texas General Land Office:</u>				
Community Development Block Grant - Disaster Recovery Program (Hurricane Ike), Round 1	14.228	GLO 010-5184-000-5167	9/1/13-8/31/14	775,079
Community Development Block Grant - Disaster Recovery Program (Hurricane Ike), Round 2.1	14.228	GLO 012-228-000-5529	9/1/12-8/31/13	52,009
Community Development Block Grant - Disaster Recovery Program (Hurricane Ike), Round 2.2	14.228	GLO 013-078-000-7101	9/1/12-8/31/13	258,132
Total Texas Department of Housing and Urban Development				1,085,220
<b>Total US Department of Housing and Urban Development</b>				1,085,220
				\$ 1,085,220

**City of Santa Fe, Texas**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended September 30, 2013**

**NOTE 1 – BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Santa Fe 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 the State of Texas Single Audit Circular. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

The expenditures of federal awards are reported in City of Santa Fe’s Annual Financial Report, within the statement of activities. Expenditures are recorded when the liability is incurred.

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. Generally, unused balances are returned to the grantor at the close of specified projects.

**NOTE 2 – RECONCILIATION TO FINANCIAL STATEMENTS**

The following is a reconciliation of federal awards per the Schedule of Expenditures of Federal Awards (Schedule of FFA) to Exhibit A-4 of the Annual Financial Report:

Expenditures of federal awards per Schedule of FFA	\$	1,085,220
<b>Total Federal Awards per Schedule of FFA</b>	<b>\$</b>	<b>1,085,220</b>
<b>Related Expenditures per Exhibit A-4 of Annual Financial Report</b>	<b>\$</b>	<b>1,085,220</b>

**City of Santa Fe, Texas**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended September 30, 2013

**PART I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statement Section:**

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified, but not considered to be material weaknesses?	No
• Noncompliance material to financial statements noted?	No

**Federal Awards Section:**

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified, but not considered to be material weaknesses?	N/A
Type of auditor's report on compliance for major programs	Unqualified
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:

<u><b>Name of Federal Program</b></u>	<u><b>CFDA Number</b></u>
Community Development Block Grant – Disaster Recovery Program (Hurricane Ike), Round 1	14.228
Community Development Block Grant – Disaster Recovery Program (Hurricane Ike), Round 2.1	14.228
Community Development Block Grant – Disaster Recovery Program (Hurricane Ike), Round 2.2	14.228

**PART II - FINANCIAL STATEMENT FINDINGS**

No significant financial statement findings were noted.

**PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION**

No federal award findings were noted.

**City of Santa Fe, Texas**  
***SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS***  
**For the Year Ended September 30, 2013**

No prior year federal or state award findings were noted.