



**OMB
CIRCULAR A-133
REPORT**

**FOR YEAR ENDED
SEPTEMBER 30, 2014
MIDLAND, TEXAS**

CITY OF MIDLAND, TEXAS
OMB CIRCULAR A-133 REPORTS
FISCAL YEAR ENDED
SEPTEMBER 30, 2014

CITY OF MIDLAND, TEXAS
OMB CIRCULAR A-133 REPORT
YEAR ENDED SEPTEMBER 30, 2014

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CITY OF MIDLAND, TEXAS
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014

Federal Grantor/Pass-Through Grantor/ Program Title	CFDA Number	Pass-Through Grantor's Number	Total Program or Award Amount	Expenditures
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs:				
Community Development Block Grants/Entitlement Grants	14.218	N/A	830,012	-
Community Development Block Grants/Entitlement Grants	14.218	N/A	699,035	308,949
Community Development Block Grants/Entitlement Grants	14.218	N/A	743,626	414,267
		Subtotal 14.218	2,272,673	723,216
Economic Development Initiative-Special Projects Grant	14.251	N/A	190,000	-
		Subtotal 14.251	190,000	-
Total U.S. Department of Housing and Urban Development Direct Programs			2,462,673	723,216
Pass - Through Texas Department of Housing and Community Affairs				
HOME Program				
HOME Investment Partnerships Program	14.239	M-12-SG-48-0100	41,600	-
HOME Investment Partnerships Program	14.239	M-12-SG-48-0100	249,600	80,000
		Subtotal 14.239	291,200	80,000
Total U.S. Department of Housing and Urban Development Direct and Pass-Through Programs			2,753,873	803,216
<u>U.S. Department of Justice</u>				
Direct Programs:				
Bulletproof Vest Partnership Program	16.607	N/A	9,914	9,425
Bulletproof Vest Partnership Program	16.607	N/A	8,584	637
		Subtotal 16.607	18,498	10,062
Justice Assistance Grant 2011	16.738	N/A	36,290	-
Justice Assistance Grant 2012	16.738	N/A	31,908	12,812
Justice Assistance Grant 2013	16.738	N/A	29,554	11,822
Justice Assistance Grant 2014	16.738	N/A	31,422	-
		Subtotal 16.738	129,174	24,634
Equitable Sharing Program (Federal Seizure Fund)	16.922	N/A	272,990	23,184
		Subtotal 16.922	272,990	23,184
Congressionally Recommended Awards	16.753	N/A	325,000	-
		Subtotal 16.753	325,000	-
Total U.S. Department of Justice Direct Programs			745,662	57,880
<u>Federal Aviation Administration</u>				
Direct Programs:				
Project No. 3-48-0150-050-10 Terminal Rehabilitation Northwest Taxilane Extension Runway 4/22 & 16L34R Rehabilitation	20.106	N/A	3,587,833	-
Project No. 3-48-0150-052-11 Rehabilitate Taxiway System Executive Apron Reconstruction	20.106	N/A	7,543,382	-
Project No. 3-48-0150-053-12 Executive Apron Reconstruction Area B	20.106	N/A	2,936,724	192,191
Project No. 3-48-0150-054-13 Rehab Emergency Perimeter Road and Access Gates Northwest Taxilane Extension Airfield Security Access Control Upgrade Construct Runway 16R Run Up Apron Wildlife Hazard Management Plan Airfield Lighting Cabling Replacement & Airfield Signage Rehab Entrance Road Pavement and Guidance Signage	20.106	N/A	3,404,500	1,892,075
Total Federal Aviation Administration Direct Programs		Subtotal 20.106	17,472,439	2,084,266

CITY OF MIDLAND, TEXAS
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014

Federal Grantor/Pass-Through Grantor/ Program Title	CFDA Number	Pass-Through Grantor's Number	Total Program or Award Amount	Expenditures
Pass-through Texas Department of Transportation:				
State and Community Highway Safety	20.600	2014-Midland-S-1YG-0026	34,100	12,707
		Subtotal 20.600	34,100	12,707
Total U.S. Department of Transportation Pass-Through Programs			34,100	12,707
Total U.S. Department of Transportation Direct and Pass-Through Programs			34,100	12,707
<u>U.S. Department of Health and Human Services</u>				
Pass - Through Texas Department of State Health Services				
Public Health Emergency Preparedness	93.069	2014-001271-00	111,900	91,925
Public Health Emergency Preparedness	93.069	2015-001271-00	111,045	7,218
		Subtotal 93.069	222,945	99,143
Immunization Grants	93.268	2014-001273-00	66,899	79,864
Immunization Grants	93.268	2015-001273-00	66,899	8,892
Immunization Grants-Refugee	93.268	2014-001299-00	19,789	19,069
Immunization Grants-Refugee	93.268	2015-001299-00	27,559	944
		Subtotal 93.268	181,146	108,769
Total U.S. Department of Health and Human Services Pass-Through Programs			404,091	207,912
<u>Federal Medicaid program</u>				
Pass - Through Texas Health and Human Services Commission				
Medicaid Administrative Claiming	93.775	529-13-0033-00001		35,120
		Subtotal 93.775	-	35,120
Total Federal Medicaid program Pass - Through Programs			-	35,120
<u>Executive Office of the President</u>				
High Intensity Drug Trafficking Areas (HIDTA) 2012	95.001	N/A	190,714	93,303
High Intensity Drug Trafficking Areas (HIDTA) 2013	95.001	N/A	155,832	92,233
High Intensity Drug Trafficking Areas (HIDTA) 2014	95.001	N/A	160,400	-
		Subtotal 95.001	506,946	185,536
<u>Federal Emergency Management Agency</u>				
Pass-through State Department of Public Safety:				
Emergency Management Performance Grant	97.042	14TX-EMPG-0763	64,737	33,900
Assistance to Firefighters Grant 2012	97.044	EMW-2012-FO-06522	50,000	40,000
Total Federal Emergency Management Pass-Through Programs			114,737	73,900
Total Federal Expenditures			\$ 22,031,848	\$ 3,460,537

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

CITY OF MIDLAND, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SEPTEMBER 30, 2014

1. **General.** The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the City of Midland, Texas. The City of Midland reporting entity is defined in Note 1 to the City's basic financial statements. Federal awards received directly from federal agencies and federal awards passed through other government agencies are included on the schedule. Grant expenditures that exceed the program or award amount for a grant include expenditures incurred as a result of program income generated by the program.
2. **Basis of Accounting.** The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, except for the Airport Improvement Program which is accounted for using the accrual basis of accounting. Both basis of accounting are described in Note 1 to the City's basic financial statements.
3. **Relationship to Basic Financial Statements.** A reconciliation of Federal expenditures as reported as intergovernmental revenue in the City's basic financial statements and the accompanying Schedule of Expenditures of Federal Awards is presented below:

General Fund:		
Amount per City's basic financial statements	\$ 859,928	
Plus: Health program income	24,629	
Adjustments to prior year accruals	7,170	
Less: State awards	(228,186)	
Non-grant intergovernmental revenue	<u>(53,304)</u>	
Total General Fund		605,237
Special Revenue Funds:		
Community Development Fund	526,700	
Plus: Program income	196,516	
Less: Adjustment to accrual	<u>0</u>	
		723,216
Department of Justice Grant Fund	24,620	
Plus: Interest earnings expended	<u>14</u>	
		24,634
Federal Police Special Purposes Fund		23,184
Enterprise Fund:		
Airport Fund		2,084,266
Amount per Schedule of Expenditures of Federal Awards		<u>\$ 3,460,537</u>

CITY OF MIDLAND, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SEPTEMBER 30, 2014

4. **Relationship to Federal Financial Reports.** Amounts reported in the accompanying schedule agree with the amounts reported in the related Federal financial reports except for Federal Aviation Administration (FAA) programs which are reported on a cash basis.
5. **Subrecipients.** Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant - Entitlement Grants	14.218	\$ <u>75,000</u>

6. **Loan and Loan Guarantee Programs.** OMB Circular A-133, Subpart B, §310(b) (6) requires that loans or loan guarantees outstanding at year-end be included in either the schedule or a note to the schedule. Loans and loan guarantees outstanding at September 30, 2014, are described below. The City acts in an administrative capacity for the distribution and collection of these Community Development funds and has no ownership interest. Consequently, these loans are not reported in the City's basic financial statements.

<u>Loan Program</u>	<u>CFDA Number</u>	<u>Loan Balances Outstanding at September 30, 2014</u>
Owner Occupied Housing Assistance Program (OHAP) Loan	14.218	\$ 970,135
OHAP Forgivable Loan Balances	14.218	<u>703,588</u>
Total Loan Program		\$ <u>1,673,723</u>



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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*

The Honorable Mayor, City Council, and City Manager
City of Midland, 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, each major fund, and the aggregate remaining fund information of the City of Midland (the City), as of and for the year ended September 30, 2014, 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 20, 2015. We audited separately the financial statements of the Midland Development Corporation (MDC) and the Midland Football/Soccer and Baseball Complex Development Corporation (SCDC) as of and for the year ended September 30, 2014, which represent all of the assets, net assets, and revenues of the aggregate discretely presented component units. Please refer to our separate reports dated March 20, 2015 for the aggregate discretely presented component units' 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*.

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 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 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.

KPMG LLP

Dallas, Texas
March 20, 2015



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Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

The Honorable Mayor, City Council, and City Manager
City of Midland, Texas:

Report on Compliance for Each Major Federal Program

We have audited the City of Midland, Texas' (the City) 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 the City's major federal program for the year ended September 30, 2014. The City's major federal program is 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.

Auditors' Responsibility

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

Opinion on the 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 its major federal program for the year ended September 30, 2014.

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 its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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 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.

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 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 as of and for the year ended September 30, 2014, and have issued our report thereon dated March 20, 2015, 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.

KPMG LLP

Dallas, Texas
May 4, 2015

CITY OF MIDLAND, TEXAS
Schedule of Findings and Questioned Costs
September 30, 2014

Section I—Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: **Unmodified**

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on compliance for major program: **Unmodified**

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

Programs tested as major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

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

Auditee qualified as low-risk auditee? yes no

Section II- Financial Statement Findings

None Noted

Section III- Federal Award Findings and Questioned Costs

None Noted

**END OF OMB CIRCULAR
A-133 REPORT PAMPHLET**

**PAGES TO FOLLOW ARE
ASSOCIATED
DOCUMENTS**

CITY OF MIDLAND, TEXAS
Schedule of Prior Year Findings and Questioned Costs
Year ended September 30, 2014

The status of prior year audit recommendations is summarized below:

Original
Finding
Number

Current Status of Prior Audit Finding

#2013-01

The Davis-Bacon Act requires all laborers and mechanics employed by contractors and subcontractors to work on construction contracts in excess of \$2,000 financed by federal assistance funds must be paid wages at prevailing wage rates. The City could not provide evidence that subcontractors made the requisite weekly submissions. The Airport has and will communicate with our current contractors, and this will also apply to future contractors, the procedures to follow in order to comply with the Davis Bacon Act. The airport will not release any payment to any contractor for work performed without the certified payroll sheets from that contractor or sub-contractor for each week in which work has been performed.

Full corrective action has been taken.