



**OMB  
CIRCULAR A-133  
REPORTS**

**FOR YEAR ENDED  
SEPTEMBER 30, 2015  
MIDLAND, TEXAS**

CITY OF MIDLAND, TEXAS  
OMB CIRCULAR A-133 REPORTS  
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YEAR ENDED SEPTEMBER 30, 2015

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CITY OF MIDLAND, TEXAS  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2015

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	743,626	232,342
Community Development Block Grants/Entitlement Grants	14.218	N/A	730,276	462,748
Community Development Block Grants/Entitlement Grants	14.218	N/A	656,282	-
		Subtotal 14.218	2,130,184	695,090
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			2,320,184	695,090
Pass - Through Texas Department of Housing and Community Affairs				
HOME Program				
HOME Investment Partnerships Program	14.239	M-12-SG-48-0100	249,600	60,000
HOME Investment Partnerships Program	14.239	M-12-SG-48-0100	200,000	-
		Subtotal 14.239	449,600	60,000
Total U.S. Department of Housing and Urban Development Direct and Pass-Through Programs			2,769,784	755,090
<u>U.S. Department of Justice</u>				
Direct Programs:				
Bulletproof Vest Partnership Program	16.607	N/A	8,584	7,947
		Subtotal 16.607	8,584	7,947
Justice Assistance Grant 2014	16.738	N/A	31,423	31,423
Justice Assistance Grant 2015	16.738	N/A	26,966	-
		Subtotal 16.738	58,389	31,423
Equitable Sharing Program (Federal Seizure Fund)	16.922	N/A	171,545	62,834
		Subtotal 16.922	171,545	62,834
Congressionally Recommended Awards	16.753	N/A	325,000	299,938
		Subtotal 16.753	325,000	299,938
Total U.S. Department of Justice Direct Programs			563,518	402,142
<u>Department of Transportation Federal Aviation Administration</u>				
Direct Programs:				
Project No. 3-48-0150-054-13	20.106	N/A	3,404,500	621,810
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				
Total Department of Transportation Federal Aviation Administration		Subtotal 20.106	3,404,500	621,810

CITY OF MIDLAND, TEXAS  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2015

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	9,516	5,786
		Subtotal 20.600	9,516	5,786
Total U.S. Department of Transportation Pass-Through Programs			9,516	5,786
Total U.S. Department of Transportation Direct and Pass-Through Programs			9,516	5,786
<u>U.S. Department of Health and Human Services</u>				
Pass - Through Texas Department of State Health Services				
Public Health Emergency Preparedness	93.069	2015-001271-00	111,045	93,732
Public Health Emergency Preparedness	93.069	2016-001271-00	111,045	4,384
		Subtotal 93.069	222,090	98,116
Immunization Grants	93.268	2015-001273-00	66,899	71,379
Immunization Grants	93.268	2016-001273-00	66,899	11,939
Immunization Grants-Refugee	93.268	2015-001299-00	19,789	30,626
Immunization Grants-Refugee	93.268	2016-001299-00	27,559	309
		Subtotal 93.268	181,146	114,253
Medicaid Administrative Claiming	93.778	529-13-0033-00001	-	38,447
		Subtotal 93.778	-	38,447
Total U.S. Department of Health and Human Services Pass-Through Programs			403,236	250,816
<u>Executive Office of the President</u>				
High Intensity Drug Trafficking Areas (HIDTA) 2013	95.001	N/A	155,832	63,775
High Intensity Drug Trafficking Areas (HIDTA) 2014	95.001	N/A	172,400	82,921
High Intensity Drug Trafficking Areas (HIDTA) 2015	95.001	N/A	154,800	-
Total Executive Office of the President		Subtotal 95.001	328,232	146,696
<u>Department of Homeland Security</u>				
Pass-through Texas Department of Public Safety:				
Emergency Management Performance Grant	97.042	14TX-EMPG-763	64,737	26,202
Total Department of Homeland Security Pass-Through Programs			64,737	26,202
Total Federal Expenditures			\$ 7,543,523	\$ 2,208,542

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, 2015**

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	\$ 1,071,450	
Plus: Health program income	34,864	
Adjustments to prior year accruals	(54,228)	
Less: State awards	(218,295)	
Non-grant intergovernmental revenue	<u>(36,406)</u>	
Total General Fund		797,385
Special Revenue Funds:		
Community Development Fund	435,109	
Plus: Program income	172,533	
Plus: Adjustment to accrual	<u>87,488</u>	
Total Special Revenue Funds:		695,090
Department of Justice Grant Fund	31,422	
Plus: Interest earnings expended	<u>1</u>	
Total		31,423
Federal Police Special Purposes Fund		62,834
Enterprise Fund:		
Airport Fund		621,810
Amount per Schedule of Expenditures of Federal Awards		<u><u>\$ 2,208,542</u></u>

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

**SEPTEMBER 30, 2015**

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>77,500</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, 2015, 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, 2015</u>
Owner Occupied Housing Assistance Program (OHAP) Loan	14.218	\$ 979,146
OHAP Forgivable Loan Balances	14.218	<u>618,273</u>
Total Loan Program		\$ <u>1,597,419</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  
The 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, the aggregate discretely presented component units, 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, 2015, 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 30, 2016. We have separately audited the financial statements of the Midland Development Corporation (MDC), the Midland Football/Soccer and Baseball Complex Development Corporation (SCDC), and the Midland Spaceport Development Corporation (Spaceport) for the year ended September 30, 2015, which represent all of the assets, net position, and revenue of the aggregate discretely presented component units and have issued our 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* thereon dated March 30, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the basic 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 opinion on the basic 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 basic 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**

Albuquerque, New Mexico  
March 30, 2016



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**Independent Auditors' Report on Compliance for Each Major Federal 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 each of the City's major federal programs for the year ended September 30, 2015. 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 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 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 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 each 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 of Midland 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, 2015.

**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 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, 2015, and have issued our report thereon dated March 30, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements taken 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 expenditures of federal awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

**KPMG LLP**

Albuquerque, New Mexico  
June 15, 2016

**CITY OF MIDLAND, TEXAS**  
**Schedule of Findings and Questioned Costs**  
**Year Ended September 30, 2015**

**Section I—Summary of Auditors' 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>
14.218	Community Development Block Grants/Entitlement Grants
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 REPORTS  
PAMPHLET**

**PAGES TO FOLLOW ARE  
ASSOCIATED  
DOCUMENTS**

**CITY OF MIDLAND, TEXAS**  
**Schedule of Prior Year Findings and Questioned Costs**  
**Year ended September 30, 2015**

The status of prior year audit recommendations is summarized below:

Original  
Finding  
Number

Current Status of Prior Audit Finding

None noted for 2014