CITY OF WICHITA FALLS, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

CITY OF WICHITA FALLS, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

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Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and the State of Texas Single Audit Circular, and Schedule of Expenditures of Federal and State Awards

The Honorable Mayor and Members of the City Council
City of Wichita Falls, Texas

Compliance

We have audited the **City of Wichita Falls, Texas'** compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the State of Texas Single Audit Circular that could have a direct and material effect on each of the City's major federal and state programs for the year ended September 30, 2012. The **City of Wichita Falls, Texas'** 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 of Wichita Falls, Texas'** management. Our responsibility is to express an opinion on the **City of Wichita Falls, Texas'** 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 for 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. 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 the **City of Wichita Falls, Texas'** 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 on the **City of Wichita Falls, Texas'** compliance with those requirements.

In our opinion, the **City of Wichita Falls, Texas** complied, in all material respects, with the compliance requirements referred to above that are applicable to its major federal and state programs for the year ended September 30, 2012.

Internal Control Over Compliance

The management of the **City of Wichita Falls, Texas** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the **City of Wichita Falls, Texas'** 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 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 compliance. Accordingly, we do not express an opinion on the effectiveness of the **City of Wichita Falls, Texas'** 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.

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 that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we considered to be material weaknesses, as defined above.

Schedule 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 Wichita Falls, Texas** as of and for the year ended September 30, 2012, and have issued our report thereon dated March 14, 2013, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the **City of Wichita Falls, Texas'** major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the **City of Wichita Falls, Texas'** compliance but not to provide an opinion on the effectiveness of the **City of Wichita Falls, Texas'** internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the **City of Wichita Falls, Texas'** compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

Edgin, Parkman, Fleming & Fleming, PC

EDGIN, PARKMAN, FLEMING & FLEMING, PC

Wichita Falls, Texas
March 14, 2013

CITY OF WICHITA FALLS, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Federal Grantor/Pass-Through Grantor/ Program Title	Contract Number	Federal CFDA Number	Expenditures and Indirect Costs	Amount Relating to Pass-Through to Subrecipients
FEDERAL AWARDS:				
U.S.Department of Agriculture				
Passed Through Texas Department of State Health Services:				
Special Supplemental Food Program for Women, Infants and Children	2012-039975	10.557	$ 771,580	$ -
Total U.S. Department of Agriculture			771,580	-
U.S. Department of Housing and Urban Development				
Direct Programs:				
Community Development Block Grant/ Entitlement Grant	B-10-MC-48-0030	14.218	1,086,909	262,761
Community Development Block Grant/ Entitlement Grant	B-11-MC-48-0030	14.218	650,288	-
Community Development Block Grant/ Entitlement Grant - ARRA	B-09-MY-48-0030	14.253	9,418	-
Section 8 Rental Voucher/Certificate Program	TX498VO	14.871	3,731,301	-
HOME Investment Partnership Program	M-08-MC-48-0214	14.239	49,781	-
HOME Investment Partnership Program	M-09-MC-48-0214	14.239	46,399	-
HOME Investment Partnership Program	M-10-MC-48-0214	14.239	204,337	-
Homelessness Prevention and Rapid Re-Housing - ARRA	S-09-MY-48-0014	14.257	178,417	-
Total Direct Programs			5,956,850	262,761
Passed Through Tarrant County:				
Housing Opportunity for Persons with AIDS	2011-037675	14.241	7,970	-
Housing Opportunity for Persons with AIDS	2012-040635	14.241	19,938	-
Housing Opportunity for Persons with AIDS	2013-041148-010	14.241	1,196	-
Total Tarrant County			29,104	-
Total U.S. Department of Housing and Urban Development			5,985,954	262,761
U.S. Department of Justice				
Direct Programs:				
Bureau of Justice Assistance:				
Local Law Enforcement Block Grant	2009-DJ-BX-0326	16.592	11,381	-
Local Law Enforcement Block Grant	2010-DJ-BX-0575	16.592	1,146	-
Local Law Enforcement Block Grant	2011-DJ-BX-2686	16.592	24,070	-
Local Law Enforcement Block Grant	2012-DJ-BX-0868	16.592	434	-
Bulletproof Vest Partnership Program	N/A	16.607	2,044	-
COPS Public Safety Partnership and Community Policing Grants - ARRA	2009RKWX0838	16.710	202,908	-
Edward Byrne Memorial Grants Program - ARRA	2009-F1260-TX-SB	16.804	773	-
Total Bureau of Justice Assistance			242,756	-
Total U.S. Department of Justice			242,756	-

CITY OF WICHITA FALLS, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (CONT'D.)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Federal Grantor/Pass-Through Grantor/ Program Title	Contract Number	Federal CFDA Number	Expenditures and Indirect Costs	Amount Relating to Pass-Through to Subrecipients
FEDERAL AWARDS (CONT'D.):				
U.S. Department of Transportation				
Direct Programs:				
Federal Aviation Administration:				
Airport Improvement Grant	3-48-0227-008-2010	20.106	4,873,326	-
Passed Through Texas Department of Transportation:				
Airport Improvement Grant	M103KICKA	20.106	1,239,059	-
Total Federal Aviation Administration			6,112,385	-
Direct Programs:				
Federal Transit Administration:				
Federal Transit Capital Investment Grants - ARRA	TX-96-0016-00	20.500	71,485	-
Federal Transit Capital and Operating Assistance Formula Grants	N/A	20.507	1,948,550	-
Federal Transit State of Good Repair Grant	N/A	20.525	743,450	-
Total Federal Transit Administration			2,763,485	-
Passed Through Texas Department of Transportation:				
Urban Transportation Study				
Highway Planning and Construction	PL0012(28)	20.205	211,873	-
Highway Planning and Construction	N/A	20.604	1,636,875	-
Total Texas Department of Transportation			1,848,748	-
Total U.S. Department of Transportation			10,724,618	-
U.S. Department of Energy				
Passed Through Texas State Energy Conservation Office:				
Energy Efficiency & Conservation Block Grant	SC0002435	81.128	81,768	-
Total U.S. Department of Energy			81,768	-
U.S. Department of Health and Human Services				
Passed Through Texas Department of State Health Services:				
HIV Prevention Activities-CTRPN	2011-034404	93.940	26,424	-
HIV Prevention Activities-CTRPN	2012-040385	93.940	66,449	-
Preventive Health and Health Services Grant - Community and Rural Health	2012-039496-001	93.991	119,149	-
Preventive Health and Health Services Grant - Community and Rural Health	2013-041462	93.991	14,717	-
Total Texas Department of State Health Services			226,739	-

CITY OF WICHITA FALLS, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (CONT'D.)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Federal Grantor/Pass-Through Grantor/ Program Title	Contract Number	Federal CFDA Number	Expenditures and Indirect Costs	Amount Relating to Pass-Through to Subrecipients
FEDERAL AWARDS (CONT'D.):				
Passed Through Tarrant County:				
HIV Formula Grant-Care Consortium - Ryan White II	2010-034678-001	93.917	94,756	-
HIV Formula Grant-Care Consortium - Ryan White II	2011-037873-001	93.917	67,275	-
HIV Formula Grant-Care Consortium - Ryan White II	2013-041148-008	93.917	11,953	-
HIV Formula Grant-Care Consortium - Ryan White III	H76HA00123-20-00	93.918	18,163	-
HIV Formula Grant-Care Consortium - Ryan White III	H76HA00123-21-00	93.918	53,703	-
Total Tarrant County			245,850	-
Total U.S. Department of Health and Human Services			472,589	-
U.S. Department of Homeland Security				
Passed Through Texas Department of Public Safety - Division of Emergency Management:				
Emergency Management Assistance Fire Grant	83.534	97.042	33,832	-
Total Expenditures of Federal Awards			18,313,097	262,761
STATE AWARDS:				
Texas Department of State Health Services				
Direct Programs:				
Tuberculosis - Prevention and Control	2012-040239-001	N/A	108,279	-
Tuberculosis - Prevention and Control	2013-042531	N/A	14,418	-
Immunizations - Epidemiology	2012-039069-001	N/A	243,528	-
Immunizations - Epidemiology	2013-041462	N/A	23,192	-
Bioterrorism	2011-038711	N/A	104,897	-
Bioterrorism	2013-041462	N/A	11,318	-
Public Health Emergency Response	2012-040750	N/A	175,920	-
Total Direct Programs			681,552	-
Passed Through Tarrant County:				
HIV - Health and Social Services	2012-039165-001	N/A	51,393	-
HIV - Health and Social Services	2013-041148-007	N/A	52	-
Total Tarrant County			51,445	-
Total Texas Department of State Health Services			732,997	-

CITY OF WICHITA FALLS, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (CONT'D.)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Federal Grantor/Pass-Through Grantor/ Program Title	Contract Number	Federal CFDA Number	Expenditures and Indirect Costs	Amount Relating to Pass-Through to Subrecipients
STATE AWARDS (CONT'D.):				
Texas Department of Transportation				
Direct Programs:				
Transit Planning, Capital and Operating Formula Grant	51803F069	N/A	328,943	-
Texas Comptroller of Public Accounts				
Direct Program:				
Texas Tobacco Compliance	N/A	N/A	1,251	-
Total Expenditures of State Awards			1,063,191	-
Total Expenditures of Federal and State Awards			$ 19,376,288	$ 262,761

CITY OF WICHITA FALLS, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2012

Note 1 - GENERAL

The accompanying Schedule of Expenditures of Federal and State Awards presents the activity of all federal and state awards of the **City of Wichita Falls, Texas** (City). The City reporting entity is defined in Note 1 to the City's financial statements. All financial assistance received directly from federal or state agencies, as well as federal or state financial assistance passed through other government agencies, is included on these schedules.

Note 2 - BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. Most federal and state grant funds were accounted for in the Special Revenue Funds, a component of the Governmental Fund types. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable.

Federal and state grant funds are ordinarily 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.

Note 3 - CONTINGENCIES

The City participates in numerous federal and state programs, on both a direct and state pass-through basis, as well as on a service-provider basis. Principal among these are Community Development Block Grants, Section 8 Housing Assistance, the Home Investment Partnership Agreement Program, and the Airport Improvement Grant.

In connection with these programs, the City is required to comply with specific terms and agreements as well as applicable federal and state laws and regulations. Such compliance is subject to review and audit by the grantors and their representatives.

Since such programs are subject to audit or review, the possibility of disallowed expenditures exists. In the event of any disallowance of claimed expenditures, the City expects the resulting liability to be immaterial.

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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*

The Honorable Mayor and Members of the City Council
City of Wichita Falls, 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 Wichita Falls, Texas** as of and for the year ended September 30, 2012, which collectively comprise the **City of Wichita Falls, Texas'** basic financial statements, and have issued our report thereon dated March 14, 2013. 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

Management of the **City of Wichita Falls, Texas** is responsible for establishing and maintaining effective 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 *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 City's financial statements will not be provided, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, 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 of Wichita Falls, Texas'** 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 City management, City Council, others within the organization, 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.

Edgin, Parkman, Fleming & Fleming, PC
EDGIN, PARKMAN, FLEMING & FLEMING, PC

Wichita Falls, Texas
March 14, 2013

CITY OF WICHITA FALLS, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

A. Summary of Auditor's Results

An unqualified opinion was issued on the financial statements.

The audit disclosed no significant deficienies relating to the audit of the financial statements in the 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 audit disclosed no noncompliance that is material to the financial statements.

The audit disclosed no significant deficiencies relating to the audit of the major federal and state award programs in the Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State of Texas Single Audit Circular.

An unqualified opinion was issued on compliance for major programs.

The audit disclosed no audit findings that are required to be reported in this schedule under OMB Circular A-133.

Major programs are as follows:

Federal:

14.257	Homelessness Prevention and Rapid Re-Housing – ARRA
14.871	Section 8 Rental Voucher/Certificate Program
16.710	COPS Public Safety Partnership and Community Policing Grants –ARRA
20.106	Airport Improvement Program
20.500/20.507	Federal Transit Cluster
20.205	Highway Planning and Construction
20.525	Federal Transit State of Good Repair Program

State:

Transit Planning, Capital and Operating Formula Grant
Immunizations - Epidemiology

The threshold used to distinguish between Type A and Type B programs was $549,393 for federal programs and $300,000 for state programs.

The City was not classified as a low-risk auditee in the context of OMB Circular A-133 or the State of Texas Single Audit Circular.

B. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

None

CITY OF WICHITA FALLS, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

C. Findings and Questioned Costs for Federal and State Awards

None

CITY OF WICHITA FALLS, TEXAS

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2012

There were no current year findings.

CITY OF WICHITA FALLS, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Finding 2011-1	Status
In the prior year there was a finding for the City failing to correctly report grant expenditures related to both the COPS and Edward Byrne grants. The City emphasized proper grant reporting to all departments during the year. This communication was successful and no such errors were noted in the current year.	Implemented

Finding 2011-2	Status
See above	Implemented