

**CITY OF SUGAR LAND, TEXAS**  
**FEDERAL SINGLE AUDIT REPORT**  
**For the Year Ended September 30, 2013**



**CITY OF SUGAR LAND, TEXAS**  
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**REPORT OF INDEPENDENT AUDITORS 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 Sugar Land, 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 City of Sugar Land, Texas (the "City"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 8, 2014.

**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 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.

To the Honorable Mayor and  
Members of City Council  
City of Sugar Land, Texas

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's 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*.

### **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 purposes.

*Whitley Penn LLP*

Houston, Texas  
September 8, 2014

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH THE 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**

To the Honorable Mayor and  
Members of City Council  
City of Sugar Land, Texas

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

We have audited City of Sugar Land, Texas' (the "City") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended September 30, 2013. The City'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 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.

To the Honorable Mayor and  
Members of City Council  
City of Sugar Land, Texas

### **Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the 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 the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance 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 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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that are not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-01 that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



To the Honorable Mayor and  
Members of City Council  
City of Sugar Land, Texas

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated September 8, 2014, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming our 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 OMB Circular A-133 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 other 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 taken as a whole.

*Whitley Penn LLP*

Houston, Texas  
September 8, 2014

**CITY OF SUGAR LAND, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*For The Year Ended September 30, 2013*

<b>I. Summary of Auditors' Results</b>	
<b>Financial Statements</b>	
Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No
<b>Federal Awards</b>	
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	2013-01
Type of auditors' report issued on compliance with major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) OMB Circular A-133?	No
Identification of major programs	
<b>Name of Federal Program or Cluster</b>	<b>CFDA Numbers</b>
Highway Planning and Construction	20.205
1. Dollar Threshold Considered Between Type A and Type B Federal Programs	\$300,000
2. Auditee qualified as low-risk auditee?	Yes

**CITY OF SUGAR LAND, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*For The Year Ended September 30, 2013*

**II. Financial Statement Findings**

None noted.

**III. Federal Award Findings and Questioned Costs**

**Finding #2013-001 – Grant Management**

**Criteria:** The administration of grants should be in accordance with the terms and conditions stated in the agreement between the granting agency and the City.

**Condition:** During the auditors testing of the major program, it was noted that requests for reimbursement for a grant were not filed in the time frame specified in the agreement between the granting agency and the City. Requests for reimbursement should have been submitted no later than 90 days after the costs were incurred.

**Questioned Costs:** None noted.

**Context:** Invoices dated between February 2012 and January 2013 were not submitted for reimbursement until May 2013.

**Effect:** The City did not comply with the terms and conditions of the agreement with the granting agency.

**Cause:** The department manager was unaware of the timeframe in which requests for reimbursement needed to be made.

**Recommendation:** The City's administration of grants should include the Accounting department to ensure compliance with financial aspects of the agreement.

**IV. Status of Prior Year Findings and Questioned Costs**

There were no prior year findings.

**V. Views of Responsible Officials and Planned Corrective Action**

**Finding #2013-001**  
Grant Management

**Description:** The City has an existing policy for grant application, acceptance, and reporting. This finding is related to a grant that did not follow this policy and as a result, a grant application preapproval form was not completed and routed to Accounting as policy requires. All grants going forward will be applied for in full compliance with City policy.

**Responsible party:** Chief Accountant

**Estimated completion date:** Immediately

**CITY OF SUGAR LAND, TEXAS - SINGLE AUDIT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ended September 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Housing and Urban Development</b>			
<b>Direct:</b>			
<i>Community Development Block Grants/Entitlement Grants</i>	14.218	B-12-MC-48-0041	\$ 188,689
<b>Total U.S. Department of Housing and Urban Development</b>			<b><u>188,689</u></b>
<b>U.S. Department of Justice</b>			
<b>Direct:</b>			
<i>Bulletproof Vest</i>	16.607	2012BUBX12062006	11,138
<u>JAG Program Cluster:</u>			
<i>Edward Byrne Memorial Justice Assistance Grant Program -Taser Equipment Replacement Program</i>	16.738	2012-DJ-BX-0823	10,008
<b>Total U.S. Department of Justice</b>			<b><u>21,146</u></b>
<b>U.S. Department of Transportation</b>			
<b>Passed-through the Texas Department of Transportation (TXDOT) - Airport Grants:</b>			
<i>Airport Improvement Program - Ramp Grant</i>	20.106	M312SGRND	50,000
<b>Total Passed-through the Texas Department of Transportation (TXDOT) - Airport Grants</b>			<b><u>50,000</u></b>
<b>Passed-through the Texas Department of Transportation (TXDOT) - Street Grants:</b>			
<i>Highway Planning and Construction - University Boulevard-North Bridge</i>	20.205	0912-34-146	604,844
<i>Highway Planning and Construction - Signal Improvements along SH6</i>	20.205	0912-00-374	136,295
<i>Highway Planning and Construction - US 59 Phase III Landscape Improvements</i>	20.205	0912-34-175	232,000
<b>Total Passed-through the Texas Department of Transportation (TXDOT) - Street Grants</b>			<b><u>973,139</u></b>
<b>Highway Safety Cluster:</b>			
<b>Passed-through the Texas Department of Transportation (TXDOT) - Public Safety:</b>			
<i>State and Community Highway Safety - 3 Year Step Grant</i>	20.600	2011-Sugarlan-S-3YG-0009	27,805
<b>Total Passed-through the Texas Department of Transportation (TXDOT) - Public Safety</b>			<b><u>27,805</u></b>
<b>Total U.S. Department of Transportation</b>			<b><u>1,050,944</u></b>
<b>U.S. Department of Homeland Security</b>			
<b>Direct:</b>			
<i>Urban Area Security Initiative Program</i>	97.067	11-SR 70808-01	5,183
<i>Urban Area Security Initiative - Wifi Grant</i>	97.008	2010-SS-T0-0008.14550	13,225
<b>Total U.S. Department of Homeland Security</b>			<b><u>18,408</u></b>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 1,279,187</u></b>

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Note 1 - Basis of Accounting**

The City accounts for awards under federal programs in the General and Special Revenue governmental funds as well as in the Airport enterprise fund.

In the Governmental funds, these programs are accounted for using a current financial resources measurement focus. 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 these funds. 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 liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited to reimbursement. Pass-through entity identifying numbers are presented where available.

The Airport enterprise fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the statement of net assets. Federal grants in enterprise funds are reported as non-operating income in the case of operating grants and as contributions in the case of capital grants.

Federal grants 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 project periods.

**Note 2 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City under programs of the federal government for the year ended September 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City.

**Note 3 - Federal Awards Excluded From Testing**

Certain federal awards which benefit the City have been excluded from testing under the compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*. Specifically, the Airport Improvement Program (CFDA number 20.106) grant from the U.S. Department of Transportation which is passed through and entirely administered by the Texas Department of Transportation (TXDOT). The City is a beneficiary of this capital grant and recognizes the resulting capital assets, but does not control the compliance with procurement and other requirements which are administered by TXDOT.