

**CITY OF LAPORTE, TEXAS**  
**FEDERAL SINGLE AUDIT REPORT**  
**Year Ended September 30, 2012**



**CITY OF LA PORTE, TEXAS**  
**FEDERAL SINGLE AUDIT REPORT**  
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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 City Council  
City of La Porte, Texas

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of La Porte, Texas (the "City") as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 11, 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 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 opinion 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 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.

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.

Honorable Mayor and City Council  
City of La Porte, 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 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 the City Council, management, others within the entity, and other applicable federal awarding agencies and pass-through entities and is not intended to be, and should not be used by anyone other than these specified parties.

*Whitley Penn LLP*

March 11, 2013

**INDEPENDENT AUDITORS' 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***

To the Honorable Mayor  
and City Council  
City of La Porte, Texas

**Compliance**

We have audited City of La Porte's (the "City") compliance with the types of 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 City's major federal programs for the year ended September 30, 2012. The City's major federal programs are identified in the summary of auditors' 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 programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's 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 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. Our audit does not provide a legal determination of the City's compliance with those requirements.

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, 2012.

***Internal Control over Compliance***

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures 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

Honorable Mayor and City Council  
City of La Porte, Texas

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.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 11, 2013, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for 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 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 basic financial statements as a whole.

#### ***Closing***

This report is intended solely for the information and use of the City Council, management, others within the organization, and other applicable federal awarding agencies and pass-through entities and is not intended to be, and should not be used by anyone other than these specified parties.

*Whitley Penn LLP*

March 11, 2013

**CITY OF LA PORTE, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended September 30, 2012**

**I. Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified that are not considered to be material weaknesses?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to the financial statements noted?	No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?	No
Significant deficiencies(s) identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance with major programs.	Unqualified
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:

Name of Federal Program or Cluster	CFDA Numbers
Community Development Block Grant/States Grant	14.228
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$300,000
Auditee qualified as low risk auditee?	Yes

**CITY OF LA PORTE, TEXAS**

***SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)***

**For the Year Ended September 30, 2012**

**II. Financial Statement Findings**

None

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

None

**IV. Schedule of Prior Year Findings**

No prior year findings

**V. Corrective Action Plan**

N/A

**CITY OF LA PORTE, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*September 30, 2012*

Federal Grantor /Pass Through Grantor/Program Title	CFDA Number	Pass Through Grantor's Number	Federal Expenditures
<b>Executive Office of the President</b>			
<b>Passed through U.S. Department of Justice Drug Enforcement Administration</b>			
2010 High Intensity Drug Trafficking Areas Program	95.001	G10HN0012A	\$ 6,619
2011 High Intensity Drug Trafficking Areas Program	95.001	G11HN0012A	16,166
2012 High Intensity Drug Trafficking Areas Program	95.001	G12HN0012A	<u>673</u>
<b>Total Executive Office of the President</b>			<u>23,458</u>
<b>U.S. Department of Justice</b>			
<b>Passed through City of Houston Police Department</b>			
Internet Crimes Against Children Task Force Program (ICAC) (ARRA)	16.800	None	67,238
<b>Direct:</b>			
Equitable Sharing Program	16.922	None	40,108
2011 Bulletproof Vest Partnership Program	16.607	None	<u>2,160</u>
<b>Total Direct Programs</b>			<u>42,268</u>
<b>Total U. S. Department of Justice</b>			<u>109,506</u>
<b>U. S. Department of Energy</b>			
<b>Passed through Comptroller of Public Accounts</b>			
Energy Efficiency and Conservation Block Grant (EECBG)(ARRA)	81.128	CS0750	<u>6,101</u>
<b>Total U.S. Department of Energy</b>			<u>6,101</u>
<b>U. S. Department of Health and Human Services</b>			
<b>Passed through City of Houston Department of Health and Human Services</b>			
Special Program for Aging, Title III, Part C, Nutrition Services - Congregate	93.045	4600009506	24,915
Special Program for Aging, Title III, Part C, Nutrition Services - Delivered	93.045	4600009506	<u>29,984</u>
<b>Total U. S. Department of Health and Human Services</b>			<u>54,899</u>
<b>U. S. Department of Housing and Urban Development</b>			
<b>Passed through Texas General Land Office</b>			
Community Development Block Grant/State's Program	14.228	DRS010231	<u>720,642</u>
<b>Total U. S. Department of Housing and Urban Development</b>			<u>720,642</u>
<b>U. S. Department of Transportation</b>			
<b>Passed through Texas Department of Transportation</b>			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	None	<u>4,700</u>
<b>Total U. S. Department of Transportation</b>			<u>4,700</u>
<b>Total Federal Awards</b>			<u>\$ 919,306</u>

**CITY OF LA PORTE, TEXAS**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Note 1 -Basis of Accounting**

The City of La Porte, Texas accounts for federal funding using the modified accrual method of accounting. 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, claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Equipment purchases for grant purposes are treated as expenses in the schedule of expenditures of federal awards and typically capitalized for financial statement purposes.

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 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, 2012. 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 Government, 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.