

**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

SINGLE AUDIT

CITY OF BROWNSVILLE, TEXAS

September 30, 2007

CITY OF BROWNSVILLE, TEXAS

SINGLE AUDIT

September 30, 2007

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FEDERAL SINGLE AUDIT

**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 Commission
City of Brownsville, 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 Brownsville, Texas (City) for the year ended September 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 28, 2008. 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

In planning and performing our audit, we considered 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 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*.

This report is intended solely for the information and use of management, the audit committee, the City Commission, and applicable federal awarding agencies, entities and is not intended to be and should not be used by anyone other than these specified parties.

Long, Chilton LLP

Long Chilton LLP
Certified Public Accountants

Brownsville, Texas
April 18, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND THE STATE SINGLE AUDIT CIRCULAR**

The Honorable Mayor and Members of the City Commission
City of Brownsville, Texas

Compliance

We have audited the compliance of the City of Brownsville, Texas (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*, and the *State Single Audit Circular* that are applicable to each of its major federal/state programs for the year ended September 30, 2007. The City's major federal/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/state 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/state 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 requirements referred to above that are applicable to each of its major federal/stat programs for the year ended September 30, 2007.

Internal Control Over Compliance

The 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/state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal

program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

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, 2007, and have issued our report thereon dated March 28, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal/state 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City Commission, management, and applicable Federal/State awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Long Chilton LLP".

LONG CHILTON, LLP
Certified Public Accountants

Brownsville, Texas
April 18, 2008

CITY OF BROWNSVILLE, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL/STATE AWARDS
Year Ended September 30, 2007

Source and Title of Grant	Federal CFDA Number	Grant Number	Program Expenditures	
			Grantee	Grantor
Federal Financial Assistance				
Department of Housing and Urban Development Direct Programs				
Community Planning and Development				
Metropolitan Entitlement	14.218	B-06-MC-48-0501	\$ 0	\$ 1,553,287
Metropolitan Entitlement	14.218	B-05-MC-48-0501	0	1,327,978
Metropolitan Entitlement	14.218	B-04-MC-48-0501	0	130,919
Metropolitan Entitlement	14.218	B-03-MC-48-0501	0	799,527
Metropolitan Entitlement	14.218	B-01-MC-48-0501	0	44,500
Total Metropolitan Entitlements			0	3,856,211
Emergency Shelter Grants Program	14.231	S-06-MC-48-0501		148,487
Total Emergency Shelter Grants Program			0	148,487
HOME Investment Partnership Program	14.239	M-06-MC-48-0501	0	412,273
HOME Investment Partnership Program	14.239	M-05-MC-48-0501	0	328,000
HOME Investment Partnership Program	14.239	M-04-MC-48-0501	0	718,766
HOME Investment Partnership Program	14.239	M-03-MC-48-0501	0	192,465
HOME Investment Partnership Program	14.239	M-02-MC-48-0501	0	68,100
Total HOME Investment Partnership Program			0	1,719,604
Subtotal			0	5,724,302
Pass-through Texas Department of Housing and Community Affairs:				
Emergency Shelter Grants Program	14.231	420000020 (07-08)	0	16,915
Emergency Shelter Grants Program	14.231	423386 (06-07)	0	135,525
Total Emergency Shelter Grants Program			0	152,440
Total Department of Housing and Urban Development			0	5,876,742
Department of Justice				
Office of Justice Programs:				
Justice Assistance Grant	N/A	2006-DJ-BX-0996	0	34,306
Total Justice Assistance Grants			0	34,306
Bureau of Justice Assistance:				
Office of National Drug Policy:				
Operation Cash Flow & Firewall	16.58		1,300	30,499
SWB HIDTA (2005 Grant)		15PSSP702Z	0	7,061
SWB HIDTA (2006 Grant)		16PSSP702Z	0	7,110
Total Office of National Drug Policy			1,300	44,670
Federal Financial Assistance, Cont'd:				
Department of Justice, Cont'd				
Pass-through Drug Enforcement Agency:				
Executive Office for Weed and Seed	16.595	2005-WS-Q5-0268	1,524	5,838
Executive Office for Weed and Seed	16.595	2006-WS-Q6-0097	5,668	22,304
Total Office for Weed and Seed			7,192	28,142
Total Department of Justice			8,492	107,118
Department of Transportation				
Federal Transit Administration:				
Operating Assistance Grant	20.507	TX-90-X713	2,110,042	786,677
Operating Assistance Grant	20.507	TX-90-X752	0	630,845
Operating Assistance Grant	20.516	51721F7045 URB 0701 (21)	0	538,145
Operating Assistance Grant	20.507	51721F7086 JAC 0701	12,528	108,826
Total Operating Assistance			2,122,570	2,064,493
Capital Equipment Grant	20.516	TX-37-X018	12,965	12,963
Capital Equipment Grant	20.507	TX-90-X468	1,310	5,235
Capital Equipment Grant	20.507	TX-90-X586	9,247	36,988
Capital Equipment Grant	20.507	TX-90-X713	46,074	184,290
Capital Equipment Grant	20.507	TX-90-X752	256,721	1,026,880
Capital Equipment Grant	20.500	TX-03-0254-00	3,828	15,312
Capital Equipment Grant	20.500	TX-04-0006	1,447,576	3,338,233
Capital Assistance Grant	20.513	51621F7208 ED 0601 (21) 01	12,009	48,000
Capital Assistance Grant	20.500	51721F7156 ED 0701 (21) 02	3,395	13,580
Capital Assistance Grant	20.509	51621F7082 ICB 0602 (21) 28	37,500	150,000
Capital Assistance Grant	20.509	51721F7186 ICB 0702(21) 29	100,000	400,000
Total Capital Equipment			1,930,625	5,231,481

CITY OF BROWNSVILLE, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL/STATE AWARDS
Year Ended September 30, 2007

Source and Title of Grant	Federal CFDA Number	Grant Number	Program Expenditures	
			Grantee	Grantor
Planning Grant	20.507	TX-90-X752	2,465	9,858
Planning Grant	20.507	TX-90-X713	2,832	11,281
Planning Grant	20.507	TX-90-X672	3,060	12,238
Planning Grant	20.507	TX-90-X635	752	3,006
Total Planning Assistance			<u>9,109</u>	<u>36,383</u>
Total Federal Transit Administration			<u>4,062,304</u>	<u>7,332,357</u>
Highway Planning and Construction:				
Urban Transportation Study (Sec. 112)	20.205	50-7XXF0021	0	205,856
Urban Transportation Study (Sec. 8)	20.205	50-7XXF0021	0	47,763
Total Highway Planning and Construction			<u>0</u>	<u>253,619</u>
Federal Aviation Administration				
Airport Improvement Program	20.106	3-48-0031-20-01	0	0
Airport Improvement Program	20.106	3-48-0031-24-03	3,333	30,007
Airport Improvement Program	20.106	3-48-0031-25-04	5,246	99,676
Airport Improvement Program	20.106	3-48-0031-26-04	1,773	33,677
Airport Improvement Program	20.106	3-48-0031-28-05	7,815	148,479
Airport Improvement Program	20.106	3-48-0031-30-06	2,272	43,204
Airport Improvement Program	20.106	3-48-0031-31-06	52,164	991,112
Airport Improvement Program	20.106	3-48-0031-32-07	37,652	708,945
Total Airport Improvement Program			<u>110,255</u>	<u>2,055,100</u>
Federal Financial Assistance, Cont'd:				
Department of Transportation:				
National Highway Traffic Safety Administration:				
State and Community Highway Safety:				
Texas Department of Transportation				
Traffic Signal Maintenance and Operation Provisions	20.600	6152-88-001	0	30,780
Texas Department of Highways:				
National Maximum Speed Limit - S.T.E.P. Wave	20.600	587XXF6021	15,153	56,284
Click It or Ticket - S.T.E.P.	20.600	587XXF6201	0	12,831
Total State and Community Highway Safety			<u>15,153</u>	<u>99,895</u>
Total Department of Transportation			<u>4,187,712</u>	<u>9,740,971</u>
Federal Emergency Management Agency:				
Office of National Preparedness				
Pass-through Texas Department of Public Safety's				
Division of Emergency Management:				
Emergency Management Performance Grants	97.042	07TX-EMPG-0687	0	25,761
FEMA - 3277 - DR Hurricane Dean	97.036		0	52,630
Total Federal Emergency Management Agency			<u>0</u>	<u>78,391</u>
U.S. EPA, Region 6 Water Quality Protection Div.				
Brownsville Adopt A Resaca Project	66.461	CD-97645801-1	25,134	52,532
Total U.S. EPA, Region 6 Water Quality Protection Div.			<u>25,134</u>	<u>52,532</u>
Department of Health and Human Services				
Pass-through Texas Department of Health:				
Youth Empowerment Grant (UTB/TSC)	93.910		0	760
Total Department of Health and Human Services			<u>0</u>	<u>760</u>
Total Federal Awards Expended			<u>4,221,338</u>	<u>15,856,514</u>
State Financial Assistance				
Texas Department of Transportation:				
Texas Automobile Theft Prevention Authority		SA-T01-10041-07	321,260	508,042
Texas Automobile Theft Prevention Authority		SA-T01-10041-08	24,724	38,636
Total Texas Department of Transportation			<u>345,984</u>	<u>546,678</u>

CITY OF BROWNSVILLE, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL/STATE AWARDS
Year Ended September 30, 2007

Source and Title of Grant	Federal CFDA Number	Grant Number	Program Expenditures	
			Grantee	Grantor
Texas Commission on Environmental Quality				
Solid Waste Education Grant		07-21-G12	0	10,000
Total Texas Commission on Environmental Quality			<u>0</u>	<u>10,000</u>
Texas State Library & Archives Commission:				
Gates "Staying Connected" Grant		434-07036	0	26,250
Lone Star Libraries Grant		442-07059	26	20,665
Total Texas State Library & Archives Commission			<u>26</u>	<u>46,915</u>
U.S. Department of Homeland Security:				
Texas Security Administration				
Supporting Host Agency FY 07		D TSA20-03-P-01415	0	56,864
Total Texas Security Administration			<u>0</u>	<u>56,864</u>
Texas Department of Public Safety:				
Texas Engineering Extension Service:				
State Homeland Security Grant FY 05		2005-LETPP-10768	0	175,392
State Homeland Security Grant FY 05		2005-SHSP-10768	0	274,961
Total Texas Engineering Extension Service			<u>0</u>	<u>450,353</u>
Office of the Comptroller:				
Comptroller of Public Accounts				
Tobacco Compliance FY 07			0	5,953
Total Texas Engineering Extension Service			<u>0</u>	<u>5,953</u>
Total U.S. Department of Homeland Security			<u>0</u>	<u>513,170</u>
Texas Department of State Health Services				
2007 EMS Local Projects Grant		EMS/LPG-0204.1	59,100	35,000
Border Health		7460004223-2007	3,542	26,130
Border Health		2007-022897-001	0	0
Border Health		2007-021825-001	0	35,000
			<u>62,642</u>	<u>96,130</u>
TEXAS DEPT. OF FAMILY & PROTECTIVE SERVICES				
ADVANCE, INC., RIO GRANITE VALLEY CHAPTER			0	31,125
COMMUNITY DEVELOPMENT 78520-FY 06-07			<u>0</u>	<u>31,125</u>
Total State Awards Expended			<u>\$ 87,802</u>	<u>\$ 1,296,550</u>
Total Federal and State Awards Expended			<u>\$ 4,309,140</u>	<u>\$ 17,153,064</u>

CITY OF BROWNSVILLE, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL/STATE AWARDS

Year Ended September 30, 2007

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal/State Awards presents the activity of federal/state expenditures of programs of the City of Brownsville, Texas (City), except for programs administered by the Public Utilities Board of the City of Brownsville, Texas. The City of Brownsville reporting entity is defined in Note 1(a) to the City's basic financial statements.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal/state awards is presented using the modified accrual basis of accounting for federal/state awards reflected in the City's governmental fund types and the accrual basis of accounting for federal/state awards reflected in the City's proprietary fund types.

NOTE 3 - RELATIONSHIP TO FINANCIAL STATEMENTS

Federal/state award expenditures as reported in the accompanying schedule of expenditures of federal/state awards are reflected in the City's financial statements as expenditures with respect to governmental funds and expenses or capital asset additions with respect to proprietary funds.

NOTE 4 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule may not agree with the amounts reported in the related Federal and state financial reports filed with the grantor agencies because of the effect of accruals made in the schedule.

CITY OF BROWNSVILLE, TEXAS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL/STATE AWARDS
Year Ended September 30, 2007**

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None Reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal/State Program or Cluster</u>
20.507	Operating Assistance/Capital Equipment Grant
20.500	Capital Equipment Grant
-	Texas Automobile Theft Prevention Authority
-	State Homeland Security Grant

Dollar threshold used to distinguish between type A and type B programs \$ 599,984

Auditee qualified as low-risk auditee? X Yes No

CITY OF BROWNSVILLE, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL/STATE AWARDS – CONTINUED
Year Ended September 30, 2007

II. FINANCIAL STATEMENT FINDINGS

None reported.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL/STATE AWARDS

None reported.

• No findings •

CITY OF BROWNSVILLE, TEXAS

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For The Year Ended September 30, 2007**

FCF 2006-1

Finding:

A control deficiency exist within the City's Planning and Community Development Department and it's loan receipts and reconciliation process. Loan payments are received on a daily basis and posted through the City's cash receipting system to an escrow account. However, the method of recognizing program income and posting to individual loan accounts is a manual process and is only done on a quarterly basis. This limits management's ability to assess the availability of program income and to identify loan non-payments or other deficiencies on a timely basis.

Corrective Action Taken

The City has implemented controls and corrected the finding in the current year.

FCF 2006-2

Finding

The Community Development Corporation of Brownsville (CDCB) transferred several notes to be maintained by the City at different times throughout the year. The program income derived from loan payments during the period prior to the transfer of the notes was not passed on to the City. The amount of program income owed to the City is yet to bet determined.

Corrective Action Taken

The City is working with HUD, consulting attorneys and staff to correct this finding. The City's OMB A-133 auditing firm will finalize the program income owned by CDCB. This final information will be included in the prepared agreements by our attorney and submitted to the U.S. Department of Housing and Urban Development for approval.

ICF 2006-1

Finding

There City has not implemented any internal controls to ensure that contracted parties receiving awards of \$25,000 or more are not suspended or debarred by verifying the U.S General Services Administration's Excluded Party System (EPLS).

Corrective Action Taken

The City implemented controls and corrected the finding the current year.