



## Management Letter

March 17, 2016

To the Honorable Mayor and  
City Council Members of the  
City of Mont Belvieu, Texas:

The American Institute of Certified Public Accountants (Statement on Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, "SAS 115") provides guidance to auditors on communicating internal control matters to management and the governing body, board of directors, or equivalent body.

It is important to note when reviewing findings reported within this letter that classification of the findings is based on the definitions required by SAS 115 as further discussed below. Please note that these classifications are based on the potential impact to the financial statements, not necessarily the likelihood of actual loss to the City. Accordingly, the City's assessment of the "significance" or ranking of severity will likely be substantially different based on a number of factors including, but not limited to, its assessment of risk and the cost benefit of making the change.

Our report is as follows:

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mont Belvieu, Texas (the "City") as of and for the year ended September 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be other matters.

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 City's financial statements will not be prevented, or detected and corrected, on a timely basis.

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### Partners

Robert Belt, CPA  
Stephanie E. Harris, CPA  
Nathan Krupke, CPA

### Houston

3210 Bingle Rd., Ste. 300  
Houston, TX 77055  
713.263.1123

### Bellville

P.O. Box 826  
Bellville, TX 77418  
713.263.1123

### Austin

100 Congress Ave., Ste. 2000  
Austin, TX 78701  
512.381.0222

### All Offices

www.texasauditors.com  
info@txauditors.com  
713.263.1550 fax



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 findings and additional comments are as follows:

***Other Matters:***

**2015.001. PUBLIC FUNDS INVESTMENT ACT**

**Finding**

Chapter 2256 of the Texas Government Code, Public Funds Investment Act (the "Act") prescribes certain requirements for governmental entities investing public funds. Some of the more basic requirements of the Act include mandatory training requirements for designated individuals and the preparation of quarterly investment reports. It was noted during the audit that one of the City's investment officers did not obtain the mandatory training required to be in compliance with the Act.

**Recommendation**

All investment officers should fulfill the minimum training requirements in order to comply with the Act.

**2015.002. DEFICIT FUND BALANCES**

**Finding**

As disclosed in the notes to the financial statements, the 2010 general obligation construction projects fund and library fund had ending deficit fund balances.

**Recommendation**

The City should monitor expenditures related to construction projects or other special projects and budget for interfund transfers as necessary to cover the expenditures in these funds.

**2015.003. EXPENDITURES IN EXCESS OF APPROPRIATIONS**

**Finding**

As disclosed in the notes to the financial statements, expenditures exceeded appropriations at the legal level of control in the general fund.

**Recommendation**

The City should ensure that expenditures do not exceed appropriations approved by City Council in accordance with the local government code. If the original authorization is insufficient, an amendment should be proposed to City Council in sufficient time so as not to impede the City's normal procurement process.

This communication is intended solely for the information and use of management, City Council, and others within the City, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank the City Council and the City's management for their cooperation during the course of our audit. Please feel free to contact us at your convenience to discuss this report or any other concerns that you may have.

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas