



CITY OF RICHARDSON, TEXAS

Independent Auditors' Reports on Federal Awards in
Accordance with OMB Circular A-133 Report

September 30, 2010

CITY OF RICHARDSON, TEXAS

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**Independent Auditors' Report on Internal Control over Financial Reporting
and Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Honorable Mayor and City Council
City of Richardson, 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 Richardson, Texas (the City) as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 3, 2011. 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 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 over financial reporting 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 over financial reporting, 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.

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*.



This report is intended solely for the information and use of the Mayor, City Council, management, and 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.

KPMG LLP

February 3, 2011



KPMG LLP
Suite 3100
717 North Harwood Street
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**Independent Auditors' Report on Compliance with Requirements Applicable to Its
Major Program and on Internal Control over Compliance in Accordance with
OMB Circular A-133 and on Schedule of Expenditures of Federal Awards**

The Honorable Mayor and City Council
City of Richardson, Texas:

Compliance

We have audited the compliance of the City of Richardson, Texas (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2010. The City's major federal program is 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 its major federal program 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 requirements referred to above that are applicable to its major federal program for the year ended September 30, 2010.

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 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, 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.

Our consideration of internal control over compliance was for the limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in the entity's 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, 2010, and have issued our report thereon dated February 3, 2011. Our audit was formed for the purpose of forming opinions on the financial statements that collectively compose the City's 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 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 Mayor, City Council, management, and 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.

KPMG LLP

February 3, 2011

CITY OF RICHARDSON, TEXAS
Schedule of Expenditures of Federal Awards
Year ended September 30, 2010

Federal grantor/pass-through grantor/program title	Federal CFDA number	Grant number	Federal expenditure
U.S. Department of Transportation:			
Passed-Through Texas Department of Highways and Public Transportation:			
Highway Planning & Construction (75/190 Trail)	20.205	CSJ:0918-24-040	\$ 57,026
Highway Planning & Construction – ARRA	20.205	CSJ:0918-24-040	558,650
Congestion Mitigation Air Quality Project #8	20.205	CSJ:0918-45-299	1,970,033
Total of U.S. Department of Transportation			<u>2,585,709</u>
U.S. Homeland Security Department/FEMA:			
2009 Assistance to Firefighters Grant	97.044	EMW-2009-FO-02382	280,000
U.S. Homeland Security Department:			
Passed-Through Texas Governor’s Division of Emergency Management:			
Non-Profit Security Program (2008 Urban Area Security Initiative)	97.008	2008-GE-T8-0034	8,671
Passed-Through Texas Division of Emergency Management/Department of Public Safety:			
Non-Profit Security Program (2009 Urban Area Security Initiative)	97.008	2009-SS-T9-0064	58,700
Non-Profit Security Program (2009 Urban Area Security Initiative) – LEAP	97.008	2009-SS-T9-0064	128,777
			<u>196,148</u>
Total U.S. Homeland Security Department			<u>476,148</u>
Office of National Drug Control Policy:			
Passed-Through Navarro County Sheriff Office			
North Texas High Intensity Drug Trafficking Area:			
High Intensity Drug Trafficking Area	07.XXX	G10NT0001A	11,971
Total Office of National Drug Control Policy			<u>11,971</u>
Department of Justice:			
Joint Terrorism Task Force			
2010 Bullet Proof Vest Grant	16.XXX	—	10,947
Passed-Through City of Dallas:	16.607	—	1,184
2009 Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-1444	9,974
Edward Byrne Memorial Justice Assistance Grant Program – ARRA	16.804	2009-SB-B9-0969	118,919
Passed-Through Texas Governor’s Office/Criminal Justice Division:			
Edward Byrne Memorial Justice Assistance Grant Program – ARRA	16.803	SU-09-A10-22342-01	187,009
Total Department of Justice			<u>328,033</u>
U.S. Department of Energy:			
Passed-Through North Central Texas Council of Governments			
Conservation Research and Development – ARRA	81.086	DE-EE0002548	6,000
Energy Efficiency & Conservation Block Grant – ARRA	81.128	DE-SC0001504	144,371
Total Department of Agriculture			<u>150,371</u>
Total Federal Financial Assistance			<u>\$ 3,552,232</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF RICHARDSON, TEXAS

Notes to Schedule of Expenditures of Federal Awards

September 30, 2010

(1) General

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Richardson, Texas (the City). The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

The City's reporting entity is defined in note 1 to the City's basic financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule.

(2) Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified-accrual basis of accounting, which is described in note 1 to the City's basic financial statements.

(3) Relationship to Federal Financial Reports

Grant expenditure reports as of September 30, 2010, which have been submitted to grantor agencies, will, in some cases, differ from amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of the year-end accruals. The reports will agree at termination of the grant as the discrepancies noted are timing differences.

(4) Subrecipients

Of the federal expenditures presented in the schedules, the City did not provide federal awards to subrecipients during 2010.

CITY OF RICHARDSON, TEXAS
Schedule of Findings and Questioned Costs
Year ended September 30, 2010

Section I – Summary of Auditors’ Results

Consolidated Financial Statements

Type of auditors’ report issued: **Unqualified**

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported
- Noncompliance material to consolidated financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Type of auditors’ 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 No

Identification of major programs:

<u>CFDA number(s)</u>	<u>Name of federal program</u>
20.205	Highway Planning and Construction Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.