

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

Year Ended September 30, 2009

Table of Contents

	Page
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 <i>Government Auditing Standards</i>	1
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	3
Schedule of Expenditures of Federal Awards	5
Notes to Schedule of Expenditures of Federal Awards	6
Schedule of Findings and Questioned Costs	7



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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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 29, 2010. 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

January 29, 2010



KPMG LLP Suite 3100 717 North Harwood Street Dallas, TX 75201-6585

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, 2009. 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, 2009.

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 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 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the city's internal control.

Our consideration of internal control over compliance was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses below. 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, 2009, and have issued our report thereon dated January 29, 2010. 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.



January 29, 2010

Schedule of Expenditures of Federal Awards

Year ended September 30, 2009

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 Beautification Congestion Mitigation Air Quality Proj. #11 Congestion Mitigation Air Quality/Traffic Signal Proj.	20.205 20.205 20.205	CSJ:0918-45-528 \$ CSJ:0918-45-322 CSJ:0918-45-794&795	72,092 1,056,792 119,128
Total of U.S. Department of Transportation		•	1,248,012
U.S. Homeland Security Department/FEMA: 2008 Assistance to Firefighters Grant	97.044	EMW-2008-FO-09237	117,104
U.S. Homeland Security Department: Passed-Through Texas Governor's DEM Governments:			
Urban Area Security Initiative Grant Passed-Through North Central Texas Council of Governments:	97.008	2008-GE-T8-0034	11,137
State Homeland Security Program (USRT) Passed-Through North Central Texas Council of Governments and Dallas County:	97.073	2007-GE-T7-0024	46,667
Citizen Corps Grant	97.053	2006-GE-T6-0068	16,041
Total U.S. Homeland Security Department			190,949
Office of National Drug Control Policy: Passed-Through Navarro County Sheriff Office North Texas High Intensity Drug Trafficking Area: High Intensity Drug Trafficking Area	NA	07.G09NT0001A	12,580
Total Office of National Drug Control Policy			12,580
Department of Justice: Joint Terrorism Task Force North Texas Regional Computer Forensic Lab 2008 Bullet Proof Vest Grant 2009 Bullet Proof Vest Grant	16.XXX 16.XXX 16.607 16.607	_ _ _ _	8,283 12,207 730 6,902
Total Department of Justice			28,122
Department of Agriculture: Passed-Through the Texas Forest Service, Texas A&M University System: Forest Resources Management	10.664	05-04-14	10,000
Total Department of Agriculture			10,000
Total Federal Financial Assistance		\$	1,489,663

The accompanying notes to the schedule of expenditures of federal awards is an integral part of this schedule.

Notes to Schedules of Expenditures of Federal Awards September 30, 2009

(1) General

The accompanying schedules of expenditures of federal awards include the federal and state grant activity of the City of Richardson, Texas (the City). The information in these schedules 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 these schedules 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 I to the City's basic financial statements. Federal awards received directly from these 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 I to the City's basic financial statements.

(3) Schedule of Findings and Questioned Costs

The schedule of findings and questioned costs, including the summary of auditors' results, is included on page 7.

(4) Relationship to Federal Financial Reports

Grant expenditure reports as of September 30, 2009, 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.

(5) Subrecipients

Of the federal expenditures presented in the schedules, the City of Richardson, Texas did not provide federal awards to subrecipients during 2009.

Schedule of Findings and Questioned Costs Year ended September 30, 2009

Section I Summary of Auditors' Results:

Financial Statements

- 1. Type of auditors' report issued on the financial statements: **Unqualified**
- 2. Significant deficiency(ies) in internal controls were disclosed by the audit of the basic financial statements: **No**; Material weaknesses: **No**
- 3. Noncompliance material to the basic financial statements: No

Federal Awards

- 4. Significant deficiency(ies) in internal controls were disclosed by the audit of the major program: **No**; Material weaknesses: **No**
- 5. Type of auditors' report issued on compliance for major program: **Unqualified**
- 6. Any audit findings disclosed that are required to be reported under Sec. 510(a) of OMB Circular A-133: **No**
- 7. Major program includes:

CFDA	
number	Name of federal program
20.205	Highway Planning and Construction Cluster

- 8. Dollar threshold used to distinguish between type A and type B programs: \$300,000
- 9. Auditee qualified as low-risk auditee: **Yes**