



CITY OF RICHARDSON, TEXAS

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

Year Ended September 30, 2007

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, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 11, 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 the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an 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 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 entity'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 entity'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 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 11, 2008



KPMG LLP
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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, 2007. 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, 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 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 a city'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 purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the city's 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.

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, 2007 and have issued our report thereon dated January 11, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of federal and state financial assistance 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

January 11, 2008

CITY OF RICHARDSON, TEXAS
Schedule of Expenditures of Federal Awards
Year ended September 30, 2007

| Federal grantor/pass-through grantor/program title | Federal CFDA number | Grant number | Federal expenditures |
|--|---------------------------|----------------------|-------------------------|
| U.S. Department of Transportation: | | | |
| Passed-Through the Texas Department of Highways and Public Transportation | | | \$ |
| Landscaping Enhancements @Dart Row | 20.205 | CSJ:0918-45-528 | 128,405 |
| Clean Fleet Vehicle Project | 20.205 | Unknown | 46,906 |
| Citywide Traffic Signal Improvements | 20.205 | CSJ: 0918-45-794&795 | 154,402 |
| Total U.S. Department of Transportation | | | <u>329,713</u> |
| Office of National Drug Control Policy: | | | |
| North Texas High Intensity Drug Trafficking Area High Intensity Drug Trafficking Area | 07.XXX | I0PNT501 | 10,999 |
| Total Office of National Drug Control Policy | | | <u>10,999</u> |
| Department of Justice: | | | |
| Joint Terrorism Task Force | 16.XXX | Unknown | 7,006 |
| North Texas Regional Computer Forensic Lab | 16.XXX | Unknown | 15,182 |
| Bullet Proof Vest Grant | 16.607 | Unknown | 4,687 |
| Total Department of Justice | | | <u>26,875</u> |
| Department of Homeland Security: | | | |
| Urban Area Security Initiative | 97.008 | UASI - 61796 | 191,980 |
| 2004 State Homeland Security Program | 97.004 | 2004 SHSP - 61796 | 75,213 |
| 2006 State Homeland Security Program | 97.073 | 2006 GE - T6 - 0068 | 62,500 |
| Total Department of Homeland Security | | | <u>329,693</u> |
| Total Federal Financial Assistance | | | <u>\$ 697,280</u> |

The accompanying notes to schedules of expenditures of federal and state awards are an integral part of this schedule.

CITY OF RICHARDSON, TEXAS

Schedule of Expenditures of State Awards

Year ended September 30, 2007

| <u>State grantor/pass-through grantor/program title</u> | <u>Grant number</u> | <u>State expenditures</u> |
|---|---------------------|-------------------------------|
| Texas Department of Health: | | |
| Regional Trauma System Grant | 7525344929B | \$ 4,807 |
| Immunization Program 2007/2008 – Dallas County | Unknown | 2,500 |
| Immunization Program 2007 – State of Texas | 0000320749 | <u>24,647</u> |
| Total Texas Department of Health | | <u>31,954</u> |
| Texas State Library and Archives Commission: | | |
| Library Grant Fund | TX0245 | 16,120 |
| Plaza Communitaria Stipends | Unknown | 4,200 |
| Northeast Texas Library System | Unknown | <u>4,074</u> |
| Total Texas State Library and Archives Commission | | <u>24,394</u> |
| Texas Parks and Wildlife Department: | | |
| Prairie Creek Park | 144492 | <u>71,913</u> |
| Total Texas Parks and Wildlife Department | | <u>71,913</u> |
| Total State Financial Assistance | | <u>\$ 128,261</u> |

The accompanying notes to schedules of expenditures of federal and state awards are an integral part of this schedule.

CITY OF RICHARDSON, TEXAS

Notes to Schedules of Expenditures of Federal and State Awards

September 30, 2007

(1) General

The accompanying schedules of expenditures of federal and state awards include the federal and state grant activity of the City of Richardson, Texas (the City). The information in these schedules are presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Texas *Uniform Grants Management Standards*. 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 1 to the City's basic financial statements. Federal and state awards received directly from these agencies as well as federal and state awards passed through other government agencies are included on the schedules.

(2) Basis of Accounting

The accompanying schedules of expenditures of federal and state awards are presented using the modified-accrual basis of accounting, which is described in note 1 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 8.

(4) Relationship to Federal Financial Reports

Grant expenditure reports as of September 30, 2007, 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 and state expenditures presented in the schedules, the City of Richardson, Texas did not provide federal and state awards to subrecipients during 2007.

CITY OF RICHARDSON, TEXAS
 Schedule of Findings and Questioned Costs
 Year ended September 30, 2007

Section I Summary of Auditors' Results:

Financial Statements

1. Type of auditors' report issued on the financial statements: Unqualified
2. Internal control over financial reporting:
 - Material weakness(es) identified? yes no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported
3. Noncompliance material to financial statements noted? yes no

Federal Awards

4. Internal controls over major program:
 - Material weakness(es) identified? yes no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported
5. Type of auditors' report issued on compliance for major program: Unqualified
6. Did the audit disclose findings that are required to be reported under Sec. 510(a) of OMB Circular A-133? yes 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 no

Section II Financial Statement Findings: None

Section III Federal Award Findings and Questioned Costs: None