



CITY OF RICHARDSON, TEXAS

Independent Auditors' Reports on State Awards in
Accordance with the State of Texas
Uniform Grant Management Standards

September 30, 2011

CITY OF RICHARDSON, TEXAS

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**Independent Auditors' 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* and
the State of Texas *Uniform Grant Management 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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 10, 2012. Our report was modified for implementation of Government Accounting Standards Board Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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, and the *Uniform Grant Management Standards*, issued by the Governor's Office of Budget and Management of the State of Texas.

Internal Control over Financial Reporting

Management of the City is responsible for establishing and maintaining effective 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* or the *Uniform Grant Management Standards*.

This report is intended solely for the information and use of the Mayor, City Council, management, and state 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 10, 2012



KPMG LLP
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717 North Harwood Street
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Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with the State of Texas *Uniform Grant Management Standards* and on Schedule of Expenditures of State 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 State of Texas *Uniform Grant Management Standards* that could have a direct and material effect on each of the City's major state program for the year ended September 30, 2011. The City's major state 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 state 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 the *Uniform Grant Management Standards*, issued by the Governor's Office of Budget and Management of the State of Texas. Those standards and the *Uniform Grant Management Standards* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements described in the *Uniform Grant Management Standards* that could have a direct and material effect on a major 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 of Richardson, Texas complied, in all material respects, with the compliance requirements referred to in the first paragraph above that could have a direct and material effect on its major state program for the year ended September 30, 2011.

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 state 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 state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *Uniform Grant Management Standards*, 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 state 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 state 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 State 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, 2011, and have issued our report thereon dated February 10, 2012. Our report was modified for implementation of Government Accounting Standards Board Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our audit was performed 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 state awards is presented for purposes of additional analysis as required by *Uniform Grant Management Standards* 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 state 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 10, 2012

CITY OF RICHARDSON, TEXAS

Schedule of Expenditures of State Awards

Year ended September 30, 2011

State grantor/pass-through grantor/program title	Grant number	State Expenditure
Texas Department of Transportation:		
2009 Regional Transportation Toll Revenue Fund	CSJ:0918-24-166	\$ 301,089
2009 Regional Transportation Toll Revenue Fund	CSJ:0918-24-167	139,310
2010 Regional Transportation Toll Revenue Fund	CSJ:0918-24-167	451,050
2009 Regional Transportation Toll Revenue Fund	CSJ:0918-24-168	4,488
Total Texas Department of Transportation		<u>895,937</u>
Texas Department of State Health Services:		
Passed through the North Central Texas Trauma Regional Advisory Council:		
Regional Trauma System Grant	2010-034898-001	10,011
Passed through Dallas County:		
Immunization Program 2010/2011	2011-036727-001	28,420
Immunization Program 2011/2012	2012-039557-001	1,050
Total Texas Department of State Health Services		<u>39,481</u>
Texas State Library and Archives Commission:		
2011 Library Loan Star Grant	442-11725	<u>32,118</u>
Total Texas State Library and Archives Commission		<u>32,118</u>
Total State Financial Assistance		<u>\$ 967,536</u>

See accompanying notes to schedule of expenditures of state awards.

CITY OF RICHARDSON, TEXAS

Notes to Schedule of Expenditures of State Awards

September 30, 2011

(1) General

The accompanying schedule of expenditures of state awards includes the state grant activity of the City of Richardson, Texas (the City). The information in this schedule is presented in accordance with the requirements of the State of Texas *Uniform Grant Management Standards*. 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. State awards received directly from state agencies as well as state awards passed through other government agencies are included on the schedule.

(2) Basis of Accounting

The accompanying schedule of expenditures of state 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 State Financial Reports

Grant expenditure reports as of September 30, 2011, 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 state expenditures presented in the schedule, the City did not provide state awards to subrecipients during 2011.

CITY OF RICHARDSON, TEXAS
Schedule of Findings and Questioned Costs
Year ended September 30, 2011

Section I – Summary of Auditors’ Reports

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 financial statements noted? _____ Yes ✓ No

State 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 the State of Texas Single Audit Circular, Uniform Grant Management Standards?

_____ Yes ✓ No

Identification of Major Programs

<u>Grant Number</u>	<u>Name of program</u>
CSJ:0918-24-166, CSJ:0918-24-167, CSJ:0918-24-167 CSJ:0918-24-168	Regional Transportation Toll Revenue Program

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 – State Award Findings and Questioned Costs

No matters were reported.