



**CITY OF RICHARDSON, TEXAS**

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

September 30, 2013

## 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 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 Planning of the State of Texas, 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, 2013, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 29, 2014. Our report included an emphasis-of-matter paragraph to reference the implementation of Governmental Accounting Standards Board No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*.

**Internal Control over Financial Reporting**

In planning and performing our audit of the basic financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic 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.

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 combination of deficiencies, in internal control, 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. A significant deficiency is a deficiency, or 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 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's basic financial statements are free from 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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the State of Texas *Uniform Grant Management Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Dallas, Texas  
January 29, 2014



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**Independent Auditors' Report on Compliance for the Major Program;  
Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of State  
Awards Required by the State of Texas *Uniform Grant Management Standards***

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

**Report on Compliance for Each Major State Program**

We have audited the City's compliance 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 the City's major state program for the year ended September 30, 2013. The City's major state program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major state program.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for the City's major state program based on our audit of the types of compliance requirements referred to above. 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 Planning 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 referred to above 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 on compliance for the major state program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Major State Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended September 30, 2013.



## **Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major state program 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that based on the requirements of *Uniform Grant Management Standards*.

## **Report on Schedule of Expenditures of State Awards Required by *Uniform Grant Management Standards***

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 29, 2014, which contained unmodified opinions on those financial statements. Our report included an emphasis-of-matter paragraph to reference the implementation of Governmental Accounting Standards Board No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously reported as Assets and Liabilities*. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the



underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

Dallas, Texas  
January 29, 2014

**CITY OF RICHARDSON, TEXAS**

Schedule of Expenditures of State Awards

Year ended September 30, 2013

| <b>State grantor/pass-through<br/>grantor/program title</b>            | <b>Grant number</b> | <b>State<br/>Expenditures</b> |
|------------------------------------------------------------------------|---------------------|-------------------------------|
| Regional Transportation Council and NCTCOG:                            |                     |                               |
| Regional Transportation Toll Revenue Fund (75/190 Trail)               | CSJ:0918-24-168     | \$ 67,495                     |
| Regional Transportation Toll Revenue Fund (Central Trail)              | CSJ:0918-47-056     | 600,000                       |
| Regional Transportation Toll Revenue Fund (East Infocom)               | CSJ:0918-24-187     | 1,136,437                     |
| Regional Transportation Toll Revenue Fund (Routh Creek Pky)            | CSJ:0918-24-189     | 798,211                       |
| Regional Transportation Toll Revenue Fund (Infocom Drive)              | CSJ:0918-24-193     | 1,747,874                     |
| Total Regional Transportation Council and NCTCOG                       |                     | <u>4,350,017</u>              |
| Texas Department of State Health Services:                             |                     |                               |
| Pass-Through the North Central Texas Trauma Regional Advisory Council: |                     |                               |
| 2012-13 Regional Trauma System Grant                                   | 2012-040944-001     | 6,357                         |
| Pass-Through Dallas County:                                            |                     |                               |
| Immunization Program 2012/2013                                         | 2013-041066-001     | 27,200                        |
| Immunization Program 2013/2014                                         | 2014-001068-00      | 950                           |
| Total Texas Department of Health                                       |                     | <u>34,507</u>                 |
| Total State Financial Assistance                                       |                     | <u>\$ 4,384,524</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, 2013

#### **(1) General**

The accompanying schedule of expenditures of state awards (the Schedule) 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 for the year ended September 30, 2013, 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 2013.

**CITY OF RICHARDSON, TEXAS**  
Schedule of Findings and Questioned Costs  
Year ended September 30, 2013

**Section I – Summary of Auditors’ Reports**

***Financial Statements***

Type of auditors’ report issued:

**Unmodified**

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 program:

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

Type of auditors’ report issued on compliance for major program:

**Unmodified**

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:0918-24-168, CSJ:0918-47-056, CSJ:0918-24-187<br>CSJ:0918-24-189, CSJ:0918-24-193 | Regional Transportation Toll Revenue Fund |

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.