

**CITY OF RICHARDSON, TEXAS**

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

**September 30, 2016**

CITY OF RICHARDSON, TEXAS  
Richardson, Texas

September 30, 2016

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INDEPENDENT AUDITOR'S 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*

To the Honorable Mayor and Members of the City Council,  
City of Richardson, Texas

We have audited, in accordance with the 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, 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 (the "City") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 2, 2017.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the 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 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 a 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 a 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 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 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*.

**Purpose of this Report**

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

A handwritten signature in black ink that reads "Crowe Horwath LLP". The signature is written in a cursive, slightly stylized font.

Crowe Horwath LLP

Dallas, Texas  
February 2, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR STATE PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF  
EXPENDITURES OF STATE AWARDS REQUIRED BY THE STATE OF TEXAS *UNIFORM GRANT  
MANAGEMENT STANDARDS*

To the Honorable Mayor and Members of the City Council,  
City of Richardson, Texas

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

We have audited the City of Richardson's (the "City") 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, 2016. The City's major state program is identified in the summary of auditor's 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 state programs.

***Auditor's 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 the 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, 2016.

## 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 of compliance, 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 an 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 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 purpose 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 testing based on the requirements of *Uniform Grant Management Standards*. Accordingly, this report is not suitable for any other purpose.

## 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 2, 2017 which contained unmodified opinions on those financial statements. 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 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.



Crowe Horwath LLP

Dallas, Texas  
February 2, 2017

CITY OF RICHARDSON, TEXAS  
 SCHEDULE OF EXPENDITURES OF STATE AWARDS  
 Year Ended September 30, 2016

<u>State grantor/Pass-through entity/Program title</u>	<u>Grant Number</u>	<u>State Expenditures</u>
<b>Texas Department of Transportation:</b>		
Passed through: Regional Transportation Council and NCTCOG:		
2010 Regional Transportation Toll Revenue	CSJ:0918-24-167	\$ 1,019,230
2010 Regional Transportation Toll Revenue	CSJ:0918-24-168	84,550
2011 Regional Transportation Toll Revenue	CSJ:0918-24-168	83,451
2013 Regional Transportation Toll Revenue	CSJ:0918-24-193	967,033
2013 Regional Transportation Toll Revenue	CSJ:0918-24-187	186,983
2013 Regional Transportation Toll Revenue	CSJ:0918-24-189	422,273
2016 Regional Transportation Toll Revenue	CSJ:0918-24-168	<u>69,468</u>
Total Texas Department of Transportation:		<u>2,832,988</u>
<b>Texas A&amp;M Forest Service:</b>		
Texas Intrastate Fire Mutual Aid System (TIFMAS)	N/A	<u>1,875</u>
Total Texas A&M Forest Service:		1,875
<b>Texas Department of State Health Services:</b>		
<b>Passed through North Central Texas Trauma Regional Advisory Council:</b>		
EMS - County Assistance	2015-003639-00	7,266
<b>Passed through: Dallas County:</b>		
2015-2016 Immunization Program	2016-001068-00	12,494
2016-2017 Immunization Program	2016-001068-01	<u>1,091</u>
Total Department of State Health Services:		<u>20,851</u>
<b>Total State Financial Awards:</b>		<b><u>\$ 2,855,714</u></b>

See accompanying notes to schedule of expenditures of state awards.

CITY OF RICHARDSON  
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS  
September 30, 2016

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**NOTE 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.

**NOTE 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 financial statements.

**NOTE 3 – RELATIONSHIP TO STATE FINANCIAL REPORTS**

Grant expenditure reports as of September 30, 2016, 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.

