

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

September 30, 2012

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

# 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*

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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 30, 2013. 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**

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*.

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 30, 2013



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

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 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 could have a direct and material effect on the City's major federal program for the year ended September 30, 2012. 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 of Richardson, Texas complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2012.

### **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 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 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 OMB Circular A-133, 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 federal 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 federal 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 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 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, 2012, and have issued our report thereon dated January 30, 2013, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to January 30, 2013. 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 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 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements 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 30, 2013

## Schedule of Expenditures of Federal Awards

Year ended September 30, 2012

Federal grantor/pass-through grantor/program title CFDA number Gr	rant number	Federal expenditure
	0-SS-T0-0008 \$ 0-SS-T0-0008	115,619 42,952
Total U.S. Department of Homeland Security		158,571
U.S. Office of National Drug Control Policy:  Passed through Navarro County Sheriff Office  North Texas High Intensity Drug Trafficking Area:  High Intensity Drug Trafficking Area  95.001 G	311NT001A	14,567
Total U.S. Office of National Drug Control Policy		14,567
U.S. Department of Justice: Joint Terrorism Task Force 16.XXX	_	15,763
2010 Bulletproof Vest Partnership Program16.6072011 Bulletproof Vest Partnership Program16.607	_	9,030 2,486
Total Bulletproof Vest Partnership Program		11,516
Passed through City of Dallas: 2011 Edward Byrne Memorial Justice Assistance Grant Program 16.738 2011	1-DJ-BX-2895	15,660
Passed through the United States Secret Service:  North Texas Electronic Crimes Task Force  16.XXX	_	3,963
Total U.S. Department of Justice		46,902
U.S. Department of Energy:  Energy Efficiency and Conservation Block Grant – ARRA  81.128  DE	E-SC0001504	704,759
Total U.S. Department of Energy		704,759
Total Federal Financial Assistance	\$	924,799

See accompanying notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards September 30, 2012

#### (1) General

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Richardson, Texas (the City). The information in this schedule 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 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. Federal awards received directly from federal 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 1 to the City's basic financial statements.

#### (3) Relationship to Federal Financial Reports

Grant expenditure reports as of September 30, 2012, 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 federal expenditures presented in the schedule, the City did not provide federal awards to subrecipients during 2012.

Schedule of Findings and Questioned Costs Year ended September 30, 2012

# Section I – Summary of Auditors' Reports

Consolidated 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 the financial statements noted?	Yes✓ No	
Federal 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:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	Yes No	
Identification of major program:		
CFDA number(s)	Name of federal program	
81.128	Energy Efficiency and Conservation Block Grant – ARRA	
Dollar threshold used to distinguish between type A and type B programs:	\$ <u>300,000</u>	
Auditee qualified as low-risk auditee?	Yes No	
Section II – Financial Statement Findings		
No matters were reported.		
Section III – Federal Award Findings and Questi	oned Costs	
No matters were reported.		