

CITY OF DICKINSON, TEXAS
FEDERAL SINGLE AUDIT REPORT
For the Year Ended September 30, 2009



3411 Pichmond, Suite 500
Houston, Texas 77046
(713) 621-1515

CITY OF DICKINSON, TEXAS
FEDERAL SINGLE AUDIT REPORT
TABLE OF CONTENTS

	<u>Page</u>
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance with the Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with <i>OMB Circular A-133</i>	3
Schedule of Expenditures of Federal Awards	5
Notes to Schedule of Expenditures of Federal Awards	6
Schedule of Findings and Questioned Costs	7

**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***

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Dickinson, Texas, (the "City") as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 23, 2010. 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 City'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 City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 09-01 to be a significant deficiency in internal control over financial reporting.

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.

To the Honorable Mayor and
Members of City Council

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dickinson, Texas' 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*.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the audit committee, the City Council, 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.

Null-Lairson, PC

Houston, Texas
March 23, 2010

**Independent Auditors' Report on Compliance with the Requirements
Applicable to each Major Program and On Internal Control over
Compliance in Accordance with *OMB Circular A-133***

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

Compliance

We have audited the compliance of the City of Dickinson, 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 each of its major federal programs for the year ended September 30, 2009. The City's major federal programs are 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 each of its major federal programs 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 on the City's compliance with those requirements.

In our opinion, the City of Dickinson, Texas complied, in all material respects, with requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009.

Internal Control over Compliance

The management of the City of Dickinson, Texas 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 of Dickinson, Texas' internal control over compliance.

To the Honorable Mayor and
Members of City Council

A *control deficiency* in an entity'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 entity'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 entity'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 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dickinson, Texas, (the "City") as of and for the year ended September 30, 2009, and have issued our report thereon dated March 23, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City of Dickinson, Texas' basic financial statements. 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 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.

Closing

This report is intended solely for the information and use of the City Council, management, others within the organization 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.

Null-Lairson, PC

Houston, Texas
March 23, 2010

CITY OF DICKINSON, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2009

Federal Grantor/Pass through Grantor/Program Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Grant Expenditures
Federal Emergency Management Agency			
Passed through Texas Department of Public Safety:			
<i>Public Assistance Program</i>	97.036		\$ 2,613,538
<i>Emergency Management Performance Grant</i>	97.042	2009-EM-E8-0013	36,791
Total Federal Emergency Management Agency			<u>2,650,329</u>
Total Expenditures of Federal Awards			<u>\$ 2,650,329</u>

CITY OF DICKINSON, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2009

Note 1 -Basis of Accounting

The City accounts for awards under federal programs in the General and Special Revenue governmental funds.

In the Governmental funds, these programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets. The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods.

CITY OF DICKINSON, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2009

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	Yes, #09-01
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance with major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) OMB Circular A-133?	No
Identification of major programs	
Name of Federal Program or Cluster	CFDA Numbers
Emergency Management Assistance	97.036
1. Dollar Threshold Considered Between Type A and Type B Federal Programs	\$300,000
2. Auditee qualified as low-risk auditee?	No

CITY OF DICKINSON, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended September 30, 2009

II. Financial Statement Findings

Significant Deficiency

09-01

Condition	The final budget approved by the City Council was not updated in the City's financial accounting system
Criteria	In order to ensure compliance with budgetary constraints, the most current budget should be recorded in the financial software.
Cause of condition	Lack of formal procedures to ensure the task is accomplished.
Effect of condition	Budgetary reporting may be incorrect.
Recommendation	Procedures should be implemented whereby the latest approved budget is recorded.

III. Federal Awards Findings and Questioned Costs

None noted.

IV. Status of Prior Year Findings and Questioned Costs

<u><i>Finding #</i></u>	<u><i>Corrective Action Taken</i></u>
08-01 Expenditures recorded in the proper period	Recommendation implemented
08-02 Proper recording of sales tax revenues	Recommendation implemented
08-03 Reconciliation of property tax revenues	Recommendation implemented
08-04 Reconciliation of EMS accounts receivable.	Recommendation partially implemented
08-05 Recording of penalties and interest on property taxes	Recommendation implemented
08-06 Approval and documentation of journal entries	Recommendation implemented

CITY OF DICKINSON, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended September 30, 2009

IV. Status of Prior Year Findings and Questioned Costs (continued)

08-07 Reconciliation of payroll data to government reporting	Recommendation implemented
08-08 Fraud policy communication to employees	Recommendation implemented
08-09 Capital asset inventory	Recommendation implemented
08-10 Utilizing proper purchasing and bidding procedures	Recommendation implemented
08-11 Suspense accounts	Recommendation implemented
08-12 Required training for investment officers	Recommendation implemented
08-13 Required information on quarterly investment reports	Recommendation implemented

CITY OF DICKINSON, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended September 30, 2009

IV. Corrective Action Plan

Oversight agency for audit: US Department of Housing and Urban Development

The City of Dickinson, Texas respectfully submits the following corrective action plan for the year ended September 30, 2009.

Name and address of independent public accounting firm:

Null-Lairson, PC
 2000 Loop 197 North, Suite 200
 Dickinson, TX 77590

Audit period: Year ended September 30, 2009

The findings from the September 30, 2009 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the Schedule.

<p>Finding 09-01</p> <p>The final budget approved by the City Council was not updated in the City's financial accounting system</p>	<p>Contact Person: Mary F. Young, Director of Finance 281-337-6235</p> <p>Response: The City concurs with the recommendation. Procedures will be implemented to ensure the latest amended budget is captured in the City's accounting software.</p> <p>Estimated Completion Date: 9/30/09</p>
--------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------