

CITY OF PFLUGERVILLE, TEXAS

SINGLE AUDIT REPORT

Year Ended September 30, 2010

CITY OF PFLUGERVILLE, TEXAS

**SINGLE AUDIT REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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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 Pflugerville, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit and each major fund of the City of Pflugerville, Texas, as of and for the year ended September 30, 2010 which collectively comprise the City of Pflugerville, Texas' basic financial statements, and have issued our report thereon dated March 3, 2011. Our report includes a reference to other auditors. 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. Other auditors audited the financial statements of Pflugerville Community Development Corporation (PCDC), a discretely presented component unit, as described in our report on the City of Pflugerville, Texas' basic financial statements. The financial statements of PCDC were not audited in accordance with *Government Auditing Standards*.

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* 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.

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 management, the City Council, 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.

DAVIS KINARD & CO, PC

Abilene, Texas
March 3, 2011

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

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

Compliance

We have audited the compliance of the City of Pflugerville ("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 each of its major federal programs for the year ended September 30, 2010. The City's major federal programs are identified in the summary of auditor's 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 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

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 requirements that could have a direct and material effect on a major federal program to determine our 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 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 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 described above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit and each major fund of the City of Pflugerville, Texas, as of and for the year ended September 30, 2010, and have issued our report thereon dated March 3, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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 as a whole.

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

DAVIS KINARD & CO, PC

Abilene, Texas
March 3, 2011

CITY OF PFLUGERVILLE, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2010**

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Project Number	(4) Federal Expenditures
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<u>Direct Programs</u>			
Bullet Proof Vest Partnership	16.607	N/A	\$ 12,593
Edward Byrne Memorial Justice Assistance Grant (JAG) - ARRA	16.804	2009-SB-B9-0986	<u>19,848</u>
Total Direct Programs			<u>32,441</u>
TOTAL DEPARTMENT OF JUSTICE			<u>32,441</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed through Texas Department of Transportation Highway Planning and Construction	20.205	1014-04-195	<u>1,519,822</u>
Total Passed Through Texas Department of Transportation			<u>1,519,822</u>
TOTAL DEPARTMENT OF TRANSPORTATION			<u>1,519,822</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,552,263</u>

CITY OF PFLUGERVILLE, TEXAS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1: REPORTING ENTITY

The Schedule of Expenditures of Federal Awards ("Schedule") presents the activity of all applicable federal awards of the City. The City's reporting entity is defined in Note 1 of the basic financial statements. Federal awards passed through other governmental agencies are included on the Schedule of Expenditures of Federal Awards.

Note 2: BASIS OF ACCOUNTING

The Schedule is prepared on the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 3 of the basic financial statements. 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 revenue until earned.

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.

Note 3: RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

The information included in the Schedule may not fully agree with other federal award reports that the City submits to granting agencies because, among other reasons, the award reports may be prepared for a different fiscal period and may include cumulative (from prior years) data rather than data for the current year only.

CITY OF PFLUGERVILLE, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2010

A. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unqualified
2. No significant deficiencies required to be reported in this schedule were disclosed in the audit of the financial statements.
3. Noncompliance which is material to the financial statements: None
4. No significant deficiencies required to be reported in this schedule were disclosed in the audit of the major programs.
5. Type of auditor's report on compliance for major programs: Unqualified
6. Did the audit disclose findings which are required to be reported under Sec. 510(a): No
7. Major programs include:
 Highway Planning and Construction, CFDA #20.205
8. Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
9. Low risk auditee: No

B. Findings Related to the Financial Statements

None

C. Findings and Questioned Costs Related to the Federal Award Programs

None

CITY OF PFLUGERVILLE, TEXAS
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED SEPTEMBER 30, 2010

C. Findings and Questioned Costs – Major Federal Programs Audit

N/A- No findings were reported relating to federal awards.