

**CITY OF DICKINSON, TEXAS**  
**FEDERAL SINGLE AUDIT REPORT**  
**For the Year Ended September 30, 2010**



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# CITY OF DICKINSON, TEXAS

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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 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 the City of Dickinson, Texas (the 'City') as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 1, 2011. 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 opinion 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 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.

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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting #10-01, #10-02, #10-03, #10-04, #10-05, #10-06, #10-07 and #10-08. 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.

To the Honorable Mayor and  
Members of City Council

***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*.

The City's responses to the findings identified in our audit are 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 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-Harrison, P.C.*

Houston, Texas  
March 1, 2011

**Independent Auditor's 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 City Council  
City of Dickinson, Texas

***Compliance***

We have audited The City of Dickinson, Texas (the 'City') compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of The City's 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. 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 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 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.

To the Honorable Mayor and  
Members of City Council

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.

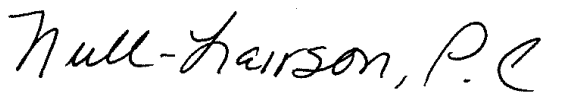
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses in internal control compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items #10-05 and #10-06. 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 federal 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.

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

#### ***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 as of and for the year ended September 30, 2010, and have issued our report thereon dated March 1, 2011. Our audit was performed for the purpose of forming our 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 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.

This report is intended solely for the information and use of 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.



Houston, Texas  
March 1, 2011

**CITY OF DICKINSON, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*For the Year Ended September 30, 2010*

**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 # 10-01, #10-02, #10-03,#10-04,#10-05,#10-06, #10-07 and #10-08
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?	Yes #10-05, # 10-06
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?	Yes

Identification of major programs

Name of Federal Program or Cluster	CFDA Numbers
Community Development Block Grants/ State's Program and Non-Entitlement Grants In Hawaii	14.228
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, 2010**

**II. Financial Statement Findings**

**Significant Deficiency**

**10-01-Proper Cut-off Procedures**

- Condition:** During the course of our audit, we noted a number of instances where revenue and/or expenditure transactions were not recognized in the correct accounting period. For example, an invoice for services rendered in September 2009 was recorded in the general ledger in January 2010 as a 2010 expenditure.
- Criteria:** Proper cut-off procedures ensures that revenues and expenditures are recorded in the proper accounting period.
- Cause of condition:** No responsible person is consistently reviewing detail support for proper accounting period recognition of revenue and expenditures.
- Effect of condition:** Revenues and expenditures could be misstated and not be detected in a timely manner.
- Recommendation:** Subsequent to year end, the Finance Director should closely review subsequent transactions of receipts and disbursements to ensure that revenues and expenditures will be recognized in the appropriate accounting period. Additionally, Council minutes, contracts, and grant agreements should be reviewed to ensure that the related expenditures have been properly accrued in the correct accounting period.

**10-02: Maintenance of Capital Assets Detail**

- Condition:** We noted during our audit procedures of capital assets, that the capital asset detail was incomplete. In addition, the method to calculate the cost of the streets and right of ways was not consistent with the City's accounting policy.
- Criteria:** Capital Asset subsidiary ledgers should be updated for additions and deletions and a roll-forward reconciliation should be performed at least annually to ensure for accuracy and completeness.
- Cause of condition:** With only two staff and the finance director, this accounting function gets pushed back behind other day to day accounting procedures.
- Effect of condition:** Capital assets could be misstated and not capitalized and depreciated in a timely manner.
- Recommendation:** Capital asset detail should be updated in a timely manner for additions and retirements. A knowledgeable person should review the detail ledger for accuracy of costs, proper depreciation calculations and application of estimated lives.

**CITY OF DICKINSON, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**For the Year Ended September 30, 2010**

**II. Financial Statement Findings (continued)**

**Significant Deficiency (continued)**

**10-03: Computer User Controls Should be Strengthened**

- Condition:** We noted during our walkthroughs that there were no control procedures in place to terminate access to the City's computer system by terminated employees.
- Criteria:** Security controls over the computer system ensures that only authorized personnel has access to the system.
- Cause of condition:** Security procedures over the computer system upon termination is not always adhered to.
- Effect of condition:** Unauthorized access to the City's computer system could occur and not be detected in a timely manner.
- Recommendation:** Procedures such as removing passwords of terminated employees should be implemented during the termination process. In addition, a periodic review of authorized users and passwords should be performed to ensure that all terminated employees have been removed from the system.

**10-04: Lack of Reconciliations**

- Condition:** During the course of our audit we noted no account reconciliations for EMS collections to the Intermedix reports and fixed asset detail to the general ledger.
- Criteria:** Good accounting controls include timely reconciliations to ensure for completeness and proper recognition in the appropriate accounting period.
- Cause of condition:** With only two staff and the finance director, this accounting function gets pushed back behind other day to day accounting procedures.
- Effect of condition:** Revenues could be misstated and not detected in a timely manner.
- Recommendation:** Reconciliations should be performed at least semi-annually for these accounts and reviewed and approved by the finance director for accuracy and completeness.

**CITY OF DICKINSON, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**For the Year Ended September 30, 2010**

**II. Financial Statement Findings (continued)**

**Significant Deficiency (continued)**

**10-05: Manual Journal Entries**

- Condition:** During the course of our audit, we noted an excessive amount of journal entries being recorded into the general ledger. Types of these entries were:
- Duplicate entries
  - Corrections of prior correcting entries
  - Entries booked backwards
  - Unnecessary entries
- Criteria:** Procedures should be in place to ensure that only authorized and necessary journal entries are recorded into the general ledger.
- Cause of condition:** In some cases, there was a lack of understanding of the interworkings between the City's different funds and its component units, in other cases, limited or no review of the journal entries prior to entry into the general ledger.
- Effect of condition:** Revenues and expenses could be misstated.
- Recommendation:** The finance director should review all proposed journal entries for accuracy, completeness, and correctness.

**10-06: Monitoring of Grants**

- Condition:** The City utilizes an outside consultant to administer some of their grants. The outside consultant prepares the proposal and budget, interfaces with engineers, recommends payments on invoices and prepares any required reporting. The finance director approves the consultant's recommendation for invoice payment or requests for reimbursement. However, we noted that most of the grant related documents were maintained by the consultant and not the City. Regarding other grant programs, we noted that the SEFA was incomplete, and certain grant revenues and related expenditures were not recorded in the appropriate accounting periods.
- Criteria:** Good internal controls over grant management includes having a knowledgeable person assigned to monitor all grants from both a programmatic and financial perspective.
- Cause of condition:** With only two staff and the finance director, this accounting function gets pushed back behind other day to day accounting procedures.
- Effect of condition:** Grant program transactions could be misstated and, non-compliance with grant requirements could occur and not be detected in a timely manner.
- Recommendation:** The Finance Director should maintain a file for each grant/program that includes but is not limited to: signed grant contract, budget, copies of required reports, a list of compliance requirements and status of compliance, and general ledger detail of actual expenditures by program year reconciled to the reports.

**CITY OF DICKINSON, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
*For the Year Ended September 30, 2010*

**II. Financial Statement Findings (continued)**

**Significant Deficiency (continued)**

**10-07: Debt Service Funds in Pooled Cash Account**

- Condition:** We noted that tax collections allocated to Debt Service are deposited into the pooled cash account along with all other cash. However, no reconciliation is performed to ascertain that the amounts in each fund's claim on cash is proper.
- Criteria:** Debt Service funds can only be used for debt service related expenditures.
- Cause of condition:** Claim on cash is not being reconciled on a monthly basis.
- Effect of condition:** Debt Service Funds could be used for something other than debt service which could result in non-compliance with bond covenants and/or state regulations.
- Recommendation:** We recommend that debt service tax collections and other debt service funds be transferred into a separate debt service bank account and all debt service related expenditures be paid from the debt service fund bank account. As an alternative, the City personnel could perform a claim on cash reconciliation for the debt service fund on a monthly basis to ensure that the claim on cash balance accurately reflects the debt service fund cash position.

**10-08: Transactions Posted to Fund Balance**

- Condition:** We noted numerous transactions posted to fund balances that should have been recorded as revenues or expenditures. A large percentage of these transactions were for expenditures that had been approved in the previous year's budget but were not incurred until the current year.
- Criteria:** Fund balance should not be used to account for current year's transactions.
- Cause of condition:** Numerous current year transactions were posted to fund balance.
- Effect of condition:** Revenues and expenditures could be misstated and not detected in a timely manner.
- Recommendation:** The finance director should review the general ledgers on a monthly basis to ensure that there are no entries made to fund balance unless clearly for corrections for a prior year. In this event, the adjustments to fund balance should be properly documented with the journal entries. For expenditures that have been approved in a previous year, the city should consider designating a portion of their fund balance for unspent previously approved budgeted expenditures in the next fiscal year and then include those items in the next budget year as an amended budget.

**CITY OF DICKINSON, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**For the Year Ended September 30, 2010**

**III. Federal Awards Findings and Questioned Costs**

**Significant Deficiency**

**10-05: Manual Journal Entries**

- Condition:** During the course of our audit, we noted an excessive amount of journal entries being recorded into the general ledger. Types of these entries were:
- Duplicate entries
  - Corrections of prior correcting entries
  - Entries booked backwards
  - Unnecessary entries
- Criteria:** Procedures should be in place to ensure that only authorized and necessary journal entries are recorded into the general ledger.
- Cause of condition:** In some cases, there was a lack of understanding of the interworkings between the City's different funds and its component units, in other cases, limited or no review of the journal entries prior to entry into the general ledger.
- Effect of condition:** Revenues and expenses could be misstated.
- Recommendation:** The finance director should review all proposed journal entries for accuracy, completeness, and correctness.

**10-06: Monitoring of Grants**

- Condition:** The City utilizes an outside consultant to administer some of their grants. The outside consultant prepares the proposal and budget, interfaces with engineers, recommends payments on invoices and prepares any required reporting. The finance director approves the consultant's recommendation for invoice payment or requests for reimbursement. However, we noted that most of the grant related documents were maintained by the consultant and not the City. Regarding other grant programs, we noted that the SEFA was incomplete, and certain grant revenues and related expenditures were not recorded in the appropriate accounting periods.
- Criteria:** Good internal controls over grant management includes having a knowledgeable person assigned to monitor all grants from both a programmatic and financial perspective.
- Cause of condition:** With only two staff and the finance director, this accounting function gets pushed back behind other day to day accounting procedures.
- Effect of condition:** Grant program transactions could be misstated and, non-compliance with grant requirements could occur and not be detected in a timely manner.
- Recommendation:** The Finance Director should maintain a file for each grant/program that includes but is not limited to: signed grant contract, budget, copies of required reports, a list of compliance requirements and status of compliance, and general ledger detail of actual expenditures by program year reconciled to the reports.

**CITY OF DICKINSON, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**For the Year Ended September 30, 2010**

**IV. Status of Prior Year Findings and Questioned Costs**

<u><i>Finding #</i></u>	<u><i>Corrective Action Taken</i></u>
<b>09-01</b> - The final budget approved by the City Council was not updated in the City's financial accounting system.	Recommendation implemented.

**V. 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, 2010.

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, 2010

The findings from the September 30, 2010 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the Schedule.

**Finding 10-01 - Proper Cut-off Procedures**

**Contact Person:** Mary F. Young, Director of Finance

**Response:** The Director of Finance will closely review subsequent transactions of receipts and disbursements to ensure revenue and expenditures are recognized in the appropriate accounting period. This includes reviewing Council minutes, contracts, and grant agreements to ensure related expenditures have been properly accrued in the correct accounting period.

**Estimated Completion Date:** September 30, 2011

**Finding 10-02 - Maintenance of Capital Assets Detail**

**Contact Person:** Mary F. Young, Director of Finance

**Response:** Capital asset detail will be updated mid-year and at the close of each fiscal year. The Director of Finance will review the detail ledger for accuracy of costs, proper depreciation calculations and application of estimated lives. Additional training of staff will be provided to ensure adequate knowledge exists for this procedure.

**Estimated Completion Date:** September 30, 2011

**CITY OF DICKINSON, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**For the Year Ended September 30, 2010**

**V. Corrective Action Plan (continued)**

**Finding 10-03 - Computer User  
Controls Should be  
Strengthened**

**Contact Person:** Mary F. Young, Director of Finance

**Response:** The City Administrator has established a procedure whereby Department Heads immediately notify the IT department in writing upon the termination of any employee from employment with the City, regardless of whether that termination is voluntary or involuntary. The IT department will remove all granted authorization and forward to Human Resources for placement in the terminated employee's file. In addition to this procedure, the Director of Finance will perform a review of authorized users and passwords on a periodic basis. Documentation of such review will be maintained in the Director of Finance's office.

**Estimated Completion Date:** February 22, 2011

**Finding 10-04 - Lack of  
Reconciliations**

**Contact Person:** Mary F. Young, Director of Finance

**Response:** A process has been established whereby reconciliation of fixed assets will occur at mid-year and after year-end closing. A process will be established for monthly reconciliations of EMS collections utilizing EMS administrative staff with the Director of Finance supervising the process.

**Estimated Completion Date:** September 30, 2011

**Finding 10-05 - Manual  
Journal Entries**

**Contact Person:** Mary F. Young, Director of Finance

**Response:** Steps have already been initiated within the Finance Department to reduce the number of manual general ledger journal entries. Additional training of staff will be provided to ensure adequate knowledge exists with regard to journal entries. All journal entries will be cross-checked by different staff members before posting to ensure for accuracy and completeness. The Director of Finance will approve all journal entries.

**Estimated Completion Date:** December 15, 2010

**CITY OF DICKINSON, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**For the Year Ended September 30, 2010**

**V. Corrective Action Plan (continued)**

**Finding 10-06 - Monitoring of  
Grants**

**Contact Person:** Mary F. Young, Director of Finance

**Response:** The City will develop a process for managing the various grants awarded to the City. Additionally, the City will monitor work undertaken by outside grant administrators working on the City's behalf with regard to various grants. The Director of Finance will make it a priority to maintain a complete set of documents pertaining to each grant. In addition to maintaining a full set of documents for each grant, a formal reconciliation of revenues and expenditures by grant year will be implemented.

**Estimated Completion Date:** September 30, 2011

**Finding 10-07 - Debt Service  
Funds in Pooled Cash  
Account**

**Contact Person:** Mary F. Young, Director of Finance

**Response:** The City has transferred all debt service funds from the Pooled cash account to a separate account with its Depository bank. As monthly property tax payments are collected, the portion of the payment attributable to debt service will be transferred electronically to the newly established debt service account. Monthly reconciliation procedures will include bank and claim on cash reconciliations.

**Estimated Completion Date:**

**Finding 10-08 - Transactions  
Posted to Fund Balance**

**Contact Person:** Mary F. Young, Director of Finance

**Response:** The City's finance software will be modified to prevent entries from being posted to Fund Balance accounts without authorization from the Director of Finance. The City's auditors will be consulted by the Director of Finance prior to authorizing such posting. The City will consider the recommendation of designating a portion of the unspent previously approved budgeted expenditures in the next fiscal year's budget as an amendment.

**Estimated Completion Date:** March 1, 2011

**CITY OF DICKINSON, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the Year Ended September 30, 2010*

Federal Grantor/Pass through Grantor/Program Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Grant Expenditures
<b>Department of Justice</b>			
<b>Direct awards:</b>			
<i>Crime Victim Assistance</i>	16.575		\$ 38,802
<i>Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories - ARRA</i>	16.803		90,014
<i>Recovery Act -Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants To Units Of Local Government - ARRA</i>	16.804		18,758
<b>Total Department of Justice</b>			<u>147,574</u>
<b>Department of Agriculture</b>			
<b>Natural Resources Conservation Service</b>			
<b>Direct award:</b>			
<i>Emergency Watershed Protection Program - ARRA</i>	10.923		158,908
<b>Total Department of Agriculture</b>			<u>158,908</u>
<b>Department of Housing and Urban Development</b>			
<b>Passed through Office of Rural Community Affairs, an agency of the State of Texas:</b>			
<i>Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii</i>	14.228	728111	350,000
<b>Total Department of Housing and Urban Development</b>			<u>350,000</u>
<b>Department of Homeland Security</b>			
<b>Passed through Texas Division of Energy Management:</b>			
<i>Emergency Management Performance Grant 2010</i>	97.042	09TX-EMPG-0337	29,390
<b>Total Department of Homeland Security</b>			<u>29,390</u>
<b>Federal Emergency Management Agency</b>			
<b>Passed through Texas Department of Public Safety:</b>			
<i>Public Assistance Program</i>	97.036		11,907
<b>Total Federal Emergency Management Agency</b>			<u>11,907</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 697,779</u>

**CITY OF DICKINSON, TEXAS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the Year Ended September 30, 2010*

**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.