

Financial Reports



TOWN OF MARANA, ARIZONA

SINGLE AUDIT REPORTING PACKAGE

Year Ended June 30, 2017

TOWN OF MARANA, ARIZONA
SINGLE AUDIT REPORTING PACKAGE
YEAR ENDED June 30, 2017

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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 Town Council
Town of Marana, Arizona

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 Town of Marana, Arizona, (Town), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Town of Marana's basic financial statements, and have issued our report thereon dated December 4, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Marana, Arizona'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 Town of Marana, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Marana, Arizona'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 Town of Marana, Arizona's financial statements are free from 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 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.

Henry + Horne LLP

Casa Grande, Arizona
December 4, 2017



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

To the Honorable Mayor and Town Council
Town of Marana, Arizona

Report on Compliance for Each Major Federal Program

We have audited Town of Marana, Arizona's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Marana, Arizona's major federal programs for the year ended June 30, 2017. The Town of Marana, Arizona's major federal 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 federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Town of Marana, Arizona's major federal 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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Town of Marana, Arizona'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 federal program. However, our audit does not provide a legal determination of the Town of Marana, Arizona's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Marana, Arizona, 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 federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Town of Marana, Arizona, 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 Town of Marana, Arizona's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Town of Marana, Arizona'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. 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.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform
Guidance**

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 Town of Marana, Arizona, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Marana, Arizona's basic financial statements. We issued our report thereon dated December 4, 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 federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Henry + Horne LLP

Casa Grande, Arizona
December 4, 2017

TOWN OF MARANA, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Grantor's Number	Expenditures
U.S. Department of Housing and Urban Development			
Passed through Pima County -			
Community Development Block Grant 2014-2015	14.218	CT.CD.15*166	\$ 33,486
Community Development Block Grant 2015-2016	14.218	CT.CD.16*85	13,083
Community Development Block Grant 2016-2017	14.218	CT.CD.17*210	45,878
Total U.S. Department of Housing and Urban Development			<u><u>92,447</u></u>
U.S. Department of Justice			
Direct Grant -			
Bulletproof Vests	16.607	JAG-06-135	8,357
Drug Enforcement Administration	16.001	Resolution 2014-078 MOU	13,203
Passed through Pima County -			
Counter Narcotics Alliance	16.738	DC-16-013	<u><u>153,562</u></u>
Total U.S. Department of Justice			<u><u>175,122</u></u>
Executive Office of the President, Office of National Drug Control Policy			
Passed through Pima County -			
High Intensity Drug Trafficking Program	95.001	HT-15-2505	1,449
High Intensity Drug Trafficking Program	95.001	HT-16-2605	82,312
High Intensity Drug Trafficking Program	95.001	HT-17-	10,357
Total Executive Office of the President, Office of National Drug Control Policy			<u><u>94,118</u></u>
U.S. Department of Transportation			
Passed through FAA-			
FAA 21 Grant - Design of Apron and Taxiway B Reconst	20.106	3-04-0058-021-2016	343,522 *
Passed through Governor's Office of Highway Safety-			
Highway Safety Cluster:			
Selective Traffic Enforcement (Step-Speed)	20.600	2016-PT-017	1,838
DUI/Impaired Driving Enforcement	20.616	2016-405d-007	997
DUI/Enforcement	20.616	2017-405d-017	40,556
Selective Traffic Enforcement (Step-Speed)	20.600	2017-PT-028	27,277
Passed through Arizona Department of Homeland Security -			
Capital Outlay Pro Laser IV Lidars	20.600	2016-PT-064	182
Total Highway Safety Cluster			<u><u>70,850</u></u>
Total U.S. Department of Transportation			<u><u>414,372</u></u>
U.S. Department of Homeland Security			
Passed through Arizona Department of Emergency and Military Affairs -			
Homeland Security Grant Program - Operation Stonegarden	97.067	150420-01	98,253 *
Homeland Security Grant Program - Operation Stonegarden	97.067	160415-01	113,298 *
AZ Dept of Emergency & Military Affairs - Continuing Challenge HazMat Emerg Response Workshop	97.067	0177	1,328 *
AZ Dept of Emergency & Military Affairs - 2017 National Homeland Security Conference	97.067	0177	4,694 *
Total U.S. Department of Homeland Security			<u><u>217,573</u></u>
U.S. Department of Treasury			
Secret Service	21.004	MOU	<u><u>1,136</u></u>
Total Expenditures of Federal Awards			\$ 994,768

* denotes major program

TOWN OF MARANA, ARIZONA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Marana under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Marana, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Marana.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- B) The Town of Marana has elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

TOWN OF MARANA, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) indentified that are not considered to be a material weakness(es)? yes none reported

Type of auditors' report issued on compliance for each major program listed below Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? yes no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
20.106	Airport Improvement Grant Program
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee? yes no

TOWN OF MARANA, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

None noted.

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None Noted