

**CITY OF CHANDLER, ARIZONA  
SINGLE AUDIT REPORTING PACKAGE  
FOR THE YEAR ENDED JUNE 30, 2008**

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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**

Honorable Mayor and Members of the City Council  
of the City of Chandler, Arizona

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of City of Chandler, Arizona as of and for the year ended June 30, 2008 which collectively comprise City of Chandler, Arizona's basic financial statements and have issued our report thereon dated December 6, 2008, which was modified as to consistency because of the implementation of Governmental Accounting Standards Board Statement No. 45. 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 City of Chandler, Arizona'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 of Chandler, Arizona's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Chandler, Arizona's internal control over financial reporting.

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 entity'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 entity's financial statements 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 a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of 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 internal control that might be 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 City of Chandler, Arizona'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*.

We noted certain matters that we reported to management of City of Chandler, Arizona in a separate letter dated January 20, 2009.

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

*Heinfeld, Meech & Co., P.C.*

HEINFELD, MEECH & CO., P.C.  
Certified Public Accountants

December 6, 2008



**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and Members of the City/Town Council  
of the City Chandler, Arizona

Compliance

We have audited the compliance of the City of Chandler, Arizona 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 June 30, 2008. The City of Chandler, Arizona'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 of Chandler, Arizona's management. Our responsibility is to express an opinion on The City of Chandler, Arizona'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 of Chandler, 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. Our audit does not provide a legal determination of the City of Chandler, Arizona's compliance with those requirements.

In our opinion, the City of Chandler, Arizona complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City of Chandler, Arizona 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 of Chandler, Arizona'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 Chandler, Arizona's internal control over compliance.

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, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of Chandler, Arizona as of and for the year ended June 30, 2008, and have issued our report thereon dated December 6, 2008, which was modified as to consistency because of the implementation of Governmental Accounting Standards Board Statement No. 45. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise The City of Chandler, Arizona'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 management, the City Council, others within the entity, 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.

*Heinfeld, Meech & Co., P.C.*

HEINFELD, MEECH & CO., P.C.  
Certified Public Accountants

December 6, 2008

**CITY OF CHANDLER, ARIZONA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AS OF JUNE 30, 2008**

Federal Grantor/ Pass-Through Grantor/ Program Title	Contract Number	Federal CFDA Number	Expenditures	Payments To Subrecipients
<b>U.S. Department of Housing and Urban Development</b>				
Direct programs:				
Public and Indian Housing	SF-440	14.850	\$ 912,139	\$ -
Capital Fund Program - Program Year 2005	SF-440 (AZ20P02850105)	14.872	92,225	-
Capital Fund Program - Program Year 2006	SF-440 (AZ20P02850106)	14.872	168,225	-
Capital Fund Program - Program Year 2006 Adendum	SF-440 (AZ20P02850206)	14.872	16,115	-
Capital Fund Program - Program Year 2007	SF-440 (AZ20P02850107)	14.872	299,020	-
Section 8 Housing Choice Vouchers	SF 547 V	14.871	4,667,059	-
Community Development Block Grant - Program Year 2005	B-05-MC-04-0507	14.218	148,798	-
Community Development Block Grant - Program Year 2006	B-06-MC-04-0507	14.218	911,956	168,813
Community Development Block Grant - Program Year 2007	B-07-MC-04-0507	14.218	1,446,267	509,728
Passed through Maricopa County Department of Housing and Community Development:				
HOME - Program Year 2004	M04-DC-04-0227	14.239	57,902	-
HOME - Program Year 2005	M05-DC-04-0227	14.239	261,064	-
HOME - Program Year 2006	M06-DC-04-0227	14.239	279,510	-
HOME - Program Year 2007	M07-DC-04-0227	14.239	161,585	-
HOME Program Income			130,600	-
ADDI - Program Year 2003	M06-DC-04-0227	14.239	29,100	-
<b>Total Department of Housing and Urban Development</b>			<b>9,581,565</b>	<b>678,541</b>
<b>U.S. Department of Education</b>				
Passed Through State of Arizona:				
Adult Education Grant	08FAEABE-870656-01A	84.002	84,360	-
Adult Education Grant	08FAECIV-870656-02A	84.002	9,875	-
<b>Total Department of Education</b>			<b>94,235</b>	<b>-</b>
<b>National Foundation on the Arts and the Humanities</b>				
Passed Through State of Arizona:				
State Library Program	261-6-1-(01)	45.310	7,541	-
<b>Total National Foundation on the Arts and the Humanities</b>			<b>7,541</b>	<b>-</b>
<b>U.S. Department of Justice</b>				
Direct programs:				
Edward Byrne Memorial Justice Assistance Grant	2005-DJ-BX-0854	16.738	2,891	-
Edward Byrne Memorial Justice Assistance Grant	2007-DJ-BX-0283	16.738	67,521	-
Bulletproof Vest Partnership Program	N/A	16.607	8,012	-
Public Safety Partnership and Community Policing Grants	2006-CK-WX-0266	16.710	39,489	-
Passed Through State of Arizona:				
Crime Victim Assistance	2007-VA-GX-0027	16.575	19,765	-
Passed Through City of Phoenix:				
Missing Children's Assistance	2005-MC-CX-K009	16.543	14,649	-
<b>Total Department of Justice</b>			<b>152,327</b>	<b>-</b>

**CITY OF CHANDLER, ARIZONA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AS OF JUNE 30, 2008**

Federal Grantor/ Pass-Through Grantor/ Program Title	Contract Number	Federal CFDA Number	Expenditures	Payments To Subrecipients
<b>Executive Office of the President -</b>				
<b>Office of National Drug Control Policy</b>				
Passed Through City of Phoenix:				
High Intensity Drug Trafficking Area (HIDTA) Drug Grant	120040	95.001	14,700	-
<b>Total Executive Office of the President</b>			<u>14,700</u>	<u>-</u>
<b>U.S. Department of Transportation</b>				
Direct programs:				
Airport Improvement Program	N/A	20.106	3,009,223	-
Passed Through State of Arizona:				
State and Community Highway Safety	2007-OP-014	20.600	19,647	-
Alcohol Traffic Safety and Drunk Driving Prevention Incen	2007-K8HV-002	20.601	33,999	-
Alcohol Traffic Safety and Drunk Driving Prevention Incen	2007-410-020	20.601	35,626	-
Alcohol Traffic Safety and Drunk Driving Prevention Incen	2007-K8-015	20.601	10,981	-
Alcohol Traffic Safety and Drunk Driving Prevention Incen	2007-K8-038	20.601	1,380	-
Safety Incentive Grants for Use of Seatbelts	2008-OP-003	20.604	10,164	-
Highway Planning and Construction	JPA 03-081	20.205	12,913	-
Highway Planning and Construction	JPA 04-083	20.205	124,112	-
Highway Planning and Construction	JPA 06-088	20.205	45,536	-
Highway Planning and Construction	N/A	20.205	389,229	-
Highway Planning and Construction	N/A	20.205	50,522	-
Highway Planning and Construction	N/A	20.205	245,488	-
Passed Through City of Phoenix:				
Federal Transit Formula Grant	AZ-90-X070 (113782)	20.507	104,657	-
Federal Transit Formula Grant	AZ-90-X080 (121669)	20.507	226,339	-
Federal Transit Formula Grant	AZ-90-X084 (119588)	20.507	54,763	-
<b>Total Department of Transportation</b>			<u>4,374,578</u>	<u>-</u>
<b>U.S. Department of Homeland Security</b>				
Direct programs:				
Assistance to Firefighters Grant	EMW-2007-FP-02225	97.044	2,758	-
Passed Through State of Arizona:				
Urban Areas Security Initiative	2005-GE-T5-0030	97.008	52,251	-
Urban Areas Security Initiative	2006-GE-T6-0007	97.008	190,711	-
Homeland Security Grant Program	2007-GE-T7-0006	97.067	37,339	-
Homeland Security Grant Program	2005-GE-T5-0030	97.067	107,196	-
Homeland Security Grant Program	2006-GE-T6-0007	97.067	21,426	-
<b>Total Department of Homeland Security</b>			<u>411,680</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 14,636,627</u>	<u>\$ 678,541</u>

**CITY OF CHANDLER, ARIZONA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2008**

**NOTE 1 - BASIS OF PRESENTATION**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Chandler, Arizona and is presented on the modified accrual basis of accounting. 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*.

**NOTE 2 - CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS**

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2008 *Catalog of Federal Domestic Assistance*.

**CITY OF CHANDLER, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?           yes   X  no

**Federal Awards**

Internal control over major programs:

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

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?           yes   X  no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant
14.850	Public and Indian Housing
14.872	Capital Fund Program
20.106	Airport Improvement Program
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs: \$439,099

Auditee qualified as low-risk auditee?   X  yes           no

**CITY OF CHANDLER, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

We noted no significant deficiencies, material weaknesses or instances of noncompliance related to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards*.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

We noted no significant deficiencies, material weaknesses or instances of noncompliance related to the audit of major federal programs as required to be reported by OMB Circular A-133.

**CITY OF CHANDLER, ARIZONA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2008**

**Status of Federal Award Findings and Questioned Costs**

Finding No. 07-1

CFDA No. 14.871

Program Name: Section 8 Housing Choice Vouchers

Status: Not corrected. The cause of the 07-1 finding in the prior year was resulting from the incorrect usage of Form 50058 for the Section 8 Housing Choice Vouchers program. The City has not fully corrected this deficiency.

Views of Responsible Officials and Planned Corrective Actions:

The annual income was calculated incorrectly as full-time work instead of part-time work. The error was corrected and documented. We reviewed policies and procedures to educate staff so this situation does not occur in the future.

Finding No. 07-2

CFDA No. 14.239

Program Name: HOME – Program Years 2003 through 2006

Status: Corrected