

**CITY OF CHANDLER, ARIZONA
SINGLE AUDIT REPORTING PACKAGE
FOR THE YEAR ENDED JUNE 30, 2012**

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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
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 unit and remaining fund information of City of Chandler, Arizona as of and for the year ended June 30, 2012, which collectively comprise City of Chandler, Arizona's basic financial statements and have issued our report thereon dated December 21, 2012. 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

Management of City of Chandler, Arizona is responsible for establishing and maintaining effective 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 City of Chandler, Arizona's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Chandler, Arizona'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 previously.

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*.

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

December 21, 2012

**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**

Independent Auditors' Report

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

Compliance

We have audited City of Chandler, Arizona's 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 City of Chandler, Arizona's major federal programs for the year ended June 30, 2012. 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 City of Chandler, Arizona's management. Our responsibility is to express an opinion on 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 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 City of Chandler, Arizona's compliance with those requirements.

In our opinion, City of Chandler, Arizona 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 June 30, 2012.

Internal Control Over Compliance

Management of 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 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 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 City of Chandler, 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.

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 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 unit and remaining fund information of City of Chandler, Arizona as of and for the year ended June 30, 2012, and have issued our report thereon dated December 21, 2012, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 financial statements or to the 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 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, 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.
CPAs and Business Consultants

December 21, 2012

**CITY OF CHANDLER, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AS OF JUNE 30, 2012**

| Federal Grantor/ Pass-Through Grantor/ Program Title | Contract Number | Federal CFDA Number | Expenditures | Payments To Subrecipients |
|--|--------------------------|---------------------|------------------|---------------------------|
| U.S. Department of Housing and Urban Development | | | | |
| Direct programs: | | | | |
| Public and Indian Housing | SF-440 | 14.850 | \$ 1,296,008 | \$ - |
| Public Housing Capital Fund - Program Year 2010 | SF-440 (AZ20P02850110) | 14.872 | 372,431 | - |
| Public Housing Capital Fund - Program Year 2011 | SF-440 (AZ20P02850111) | 14.872 | 110,138 | - |
| Public Housing Capital Fund - Program Year 2012 | SF-440 (AZ20P02850112) | 14.872 | 4,362 | - |
| Subtotal CFDA Number 14.872 | | | <u>486,931</u> | <u>-</u> |
| Section 8 Housing Choice Vouchers | SF 547 V | 14.871 | <u>4,806,353</u> | <u>-</u> |
| CDBG-Entitlement Grants Cluster | | | | |
| Community Development Block Grant - Program Year 2009 | B-09-MC-04-0507 | 14.218 | 278,633 | 200,918 |
| Community Development Block Grant - Program Year 2010 | B-10-MC-04-0507 | 14.218 | 419,447 | 4,223 |
| Community Development Block Grant - Program Year 2011 | B-11-MC-04-0507 | 14.218 | 966,624 | 411,280 |
| Community Development Block Grant - Neighborhood Stabilization Program | B-08-MN-04-0502 | 14.218 | 536,850 | 512,768 |
| Community Development Block Grant - Neighborhood Stabilization Program | B-11-MN-04-0502 | 14.218 | 134,265 | 121,173 |
| Subtotal CFDA Number 14.218 | | | <u>2,335,819</u> | <u>1,250,362</u> |
| Community Development Block Grant - ARRA Entitlement Grants (CDBG-R) Recovery Act Funded | B-09-MY-04-0507 | 14.253 | 30,360 | - |
| Subtotal CDBG-Entitlement Grant Cluster | | | <u>2,366,179</u> | <u>1,250,362</u> |
| Homelessness Prevention & Rapid Re-Housing Program HPRP - Recovery Act Funded | S-09-MY-04-0507 | 14.257 | <u>77,804</u> | <u>77,804</u> |
| Passed through Maricopa County Department of Housing and Community Development: | | | | |
| Home Investment Partnerships Program - Program Year 2007 | M07-DC-04-0227 | 14.239 | 59,000 | 2,552 |
| Home Investment Partnerships Program - Program Year 2008 | M08-DC-04-0227 | 14.239 | 383,446 | 383,446 |
| Home Investment Partnerships Program - Program Year 2009 | M09-DC-04-0227 | 14.239 | 280,210 | 25,630 |
| Home Investment Partnerships Program - Program Year 2010 | M10-DC-04-0227 | 14.239 | 689 | - |
| Home Investment Partnerships Program - Program Year 2011 | M11-DC-04-0227 | 14.239 | 22,081 | - |
| Subtotal CFDA Number 14.239 | | | <u>745,426</u> | <u>411,628</u> |
| Total Department of Housing and Urban Development | | | <u>9,778,701</u> | <u>1,739,794</u> |
| Institute of Museum and Library Services | | | | |
| Passed Through State of Arizona: | | | | |
| Grants to States | 2011-31018-01 | 45.310 | 12,440 | - |
| U.S. Department of Justice | | | | |
| JAG Cluster | | | | |
| Direct programs: | | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 2009-MC-CX-K013 | 16.738 | 4,833 | - |
| Edward Byrne Memorial Justice Assistance Grant Program | 2010-DJ-BX-1135 | 16.738 | 73,341 | - |
| Passed Through State of Arizona: | | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 2009-DJ-BX-0342 | 16.738 | 4,377 | - |
| Subtotal CFDA Number 16.738 | | | <u>82,551</u> | <u>-</u> |
| Passed Through State of Arizona: | | | | |
| Edward Byrne Memorial Justice Assistance Grant - (JAG) Program/ Grants to Units of Local Governments Recovery Act Funded | 2009-SB-B9-2970 | 16.804 | 108,019 | - |
| Subtotal JAG Cluster | | | <u>190,570</u> | <u>-</u> |
| Passed Through State of Arizona: | | | | |
| Crime Victim Assistance | 2008-470/2010-VA-GX-0064 | 16.575 | 49,888 | - |
| Total Department of Justice | | | <u>240,458</u> | <u>-</u> |

**CITY OF CHANDLER, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AS OF JUNE 30, 2012**

| Federal Grantor/ Pass-Through Grantor/ Program Title | Contract Number | Federal CFDA Number | Expenditures | Payments To Subrecipients |
|---|--------------------|---------------------|----------------------|---------------------------|
| U.S. Department of Transportation | | | | |
| Passed Through State of Arizona: | | | | |
| Airport Improvement Program | 3-04-0008-021-2011 | 20.106 | 39,936 | - |
| Highway Safety Cluster | | | | |
| State and Community Highway Safety | 2011-OP-002 | 20.600 | 6,981 | - |
| State and Community Highway Safety | 2011-OP-006 | 20.600 | 11,473 | - |
| State and Community Highway Safety | 2012-OP-002 | 20.600 | 23,335 | - |
| State and Community Highway Safety | OER11-IGA-GS-56 | 20.600 | 24,891 | - |
| Subtotal CFDA Number 20.600 | | | <u>66,680</u> | <u>-</u> |
| Alcohol Traffic Safety and Drunk Driving Prevention Incentive | 2008-410-016 | 20.601 | 28,701 | - |
| Alcohol Traffic Safety and Drunk Driving Prevention Incentive | 2011-AL-016 | 20.601 | 215 | - |
| Subtotal CFDA Number 20.601 | | | <u>28,916</u> | <u>-</u> |
| Subtotal Highway Safety Cluster | | | <u>95,596</u> | <u>-</u> |
| Highway Planning and Construction | JPA 06-088 | 20.205 | 49,095 | - |
| Highway Planning and Construction | N/A | 20.205 | 1,018,816 | - |
| Highway Planning and Construction- Recovery Act Funded | JPA 09-0501 | 20.205 | 65,080 | - |
| Highway Planning and Construction- Recovery Act Funded | JPA 09-0511 | 20.205 | 8,295 | - |
| Highway Planning and Construction | CHN13-30 | 20.205 | 350,000 | - |
| Highway Planning and Construction | CHN-0(214)A | 20.205 | 2,990,600 | - |
| Highway Planning and Construction | CM-CHN-0(216)A | 20.205 | 300,753 | - |
| Highway Planning and Construction | CM-CHN-0(205)A | 20.205 | 58,760 | - |
| Passed Through Maricopa Association of Governments: | | | | |
| Highway Planning and Construction | N/A | 20.205 | 234,435 | - |
| Subtotal CFDA Number 20.205 | | | <u>5,075,834</u> | <u>-</u> |
| Passed Through Maricopa Association of Governments: | | | | |
| Federal Transit Formula Grants - Recovery Act Funded | IGA 118-41-2010 | 20.507 | 203,029 | - |
| Total Department of Transportation | | | <u>5,414,395</u> | <u>-</u> |
| U.S. Department of Energy | | | | |
| Direct programs: | | | | |
| Energy Efficiency and Conservation Block Grant Program | | | | |
| Recovery Act Funded | DE-EE0000836 | 81.128 | 850,234 | - |
| U.S. Department of Homeland Security | | | | |
| Direct programs: | | | | |
| Assistance to Firefighters Grant | EMW-2009-FO-10290 | 97.044 | 33,222 | - |
| Assistance to Firefighters Grant | EMW-2009-FP-00895 | 97.044 | 12,690 | - |
| Subtotal CFDA Number 97.044 | | | <u>45,912</u> | <u>-</u> |
| Passed Through State of Arizona: | | | | |
| Homeland Security Grant Program | 2008-GE-T8-0006 | 97.067 | 83 | - |
| Homeland Security Grant Program | 2010-SST-0086 | 97.067 | 177,684 | - |
| Subtotal CFDA Number 97.067 | | | <u>177,767</u> | <u>-</u> |
| Total Department of Homeland Security | | | <u>223,679</u> | <u>-</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 16,519,907</u> | <u>\$ 1,739,794</u> |

**CITY OF CHANDLER, ARIZONA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012**

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*. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

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 2012 *Catalog of Federal Domestic Assistance*.

**CITY OF CHANDLER, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

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? _____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? _____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> |
|---------------------|--|
| 14.239 | Home Investment Partnerships Program |
| 14.871 | Section 8 Housing Choice Vouchers |
| 81.128 | Energy Efficiency and Conservation Block Grant Program-Recovery Act Funded |

Dollar threshold used to distinguish between Type A and Type B programs: \$495,597

Auditee qualified as low-risk auditee? X yes _____no

**CITY OF CHANDLER, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

None reported.

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None reported.

**CITY OF CHANDLER, ARIZONA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2012**

Status of Federal Award Findings and Questioned Costs

The City had no findings or questioned costs related to federal awards noted in prior audits that require a status.