

**CITY OF CHANDLER, ARIZONA
SINGLE AUDIT REPORTING PACKAGE
FOR THE YEAR ENDED JUNE 30, 2014**

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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**

Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Chandler, 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 discretely presented component units and remaining fund information of City of Chandler, Arizona, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Chandler, Arizona's basic financial statements, and have issued our report thereon dated December 26, 2014. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 65.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Chandler, 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 City of Chandler, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Chandler, 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 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 City of Chandler, 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.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

December 26, 2014

**Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and
Report on Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

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, 2014. City of Chandler, Arizona's major federal programs are 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Chandler, Arizona's major federal programs 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of City of Chandler, Arizona's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Chandler, Arizona complied, in all material respects, with the types of 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, 2014.

Report on Internal Control Over Compliance

Management of City of Chandler, 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 City of Chandler, Arizona's internal control over compliance with the types of requirements that could have a direct and material effect on each 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 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. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2014, and the related notes to the financial statements, which collectively comprise City of Chandler, Arizona's basic financial statements. We issued our report thereon dated December 26, 2014, 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 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 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 taken as a whole.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

December 26, 2014

**CITY OF CHANDLER, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AS OF JUNE 30, 2014**

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	\$ 1,200,171	\$ -
Public Housing Capital Fund - Program Year 2011	SF-440 (AZ20P02850111)	14.872	123,362	-
Public Housing Capital Fund - Program Year 2012	SF-440 (AZ20P02850112)	14.872	286,793	-
Public Housing Capital Fund - Program Year 2013	SF-440 (AZ20P02850113)	14.872	45,860	-
Subtotal CFDA Number 14.872			<u>456,015</u>	<u>-</u>
Section 8 Housing Choice Vouchers	SF 547 V	14.871	<u>4,115,730</u>	<u>-</u>
Community Development Block Grant - Program Year 2009	B-09-MC-04-0507	14.218	76,738	-
Community Development Block Grant - Program Year 2011	B-11-MC-04-0507	14.218	18,247	-
Community Development Block Grant - Program Year 2012	B-12-MC-04-0507	14.218	786,117	140,162
Community Development Block Grant - Program Year 2013	B-13-MC-04-0507	14.218	562,362	290,297
Community Development Block Grant - Neighborhood Stabilization Program	B-08-MN-04-0502	14.218	7,723	-
Community Development Block Grant - Neighborhood Stabilization Program	B-11-MN-04-0502	14.218	566,980	541,199
Subtotal CFDA Number 14.218			<u>2,018,167</u>	<u>971,658</u>
Passed through Maricopa County Department of Housing and Community Development:				
Home Investment Partnerships Program - Program Year 2009	M09-DC-04-0227	14.239	58,638	-
Home Investment Partnerships Program - Program Year 2010	M10-DC-04-0227	14.239	259,382	250,022
Home Investment Partnerships Program - Program Year 2011	M11-DC-04-0227	14.239	233,129	233,129
Home Investment Partnerships Program - Program Year 2011- CHDO	M11-DC-04-0227	14.239	129,705	129,705
Home Investment Partnerships Program - Program Year 2012	M12-DC-04-0227	14.239	155,710	-
Home Investment Partnerships Program - Program Year 2013	M13-DC-04-0227	14.239	161,299	147,978
Subtotal CFDA Number 14.239			<u>997,863</u>	<u>760,834</u>
Total Department of Housing and Urban Development			<u>8,787,946</u>	<u>1,732,492</u>
Institute of Museum and Library Services				
Passed Through State of Arizona:				
Grants to States	N/A	45.310	<u>50,850</u>	<u>-</u>
Total Institute of Museum and Library Services			<u>50,850</u>	<u>-</u>
U.S. Department of Justice				
Direct programs:				
Edward Byrne Memorial Justice Assistance Grant	2010-DJ-BX-1135	16.738	4,234	-
Passed Through Maricopa County:				
Edward Byrne Memorial Justice Assistance Grant	2011H4004-AZ-DJ	16.738	72,272	-
Subtotal CFDA Number 16.738			<u>76,506</u>	<u>-</u>
Total Department of Justice			<u>76,506</u>	<u>-</u>
U.S. Department of Transportation				
Passed Through State of Arizona:				
Airport Improvement Program	3-04-0008-021-2011	20.106	15,838	-
Airport Improvement Program	3-04-0008-023-2013	20.106	280,131	-
Airport Improvement Program	3-04-0008-023-2013	20.106	117,130	-
Subtotal CFDA Number 20.106			<u>413,099</u>	<u>-</u>
Highway Safety Cluster:				
State and Community Highway Safety	2013-OP-012	20.600	5,065	-
State and Community Highway Safety	2013-OP-001	20.600	10,751	-
State and Community Highway Safety	2014-OP-008	20.600	20,429	-
State and Community Highway Safety	2014-OP-017	20.600	4,402	-
State and Community Highway Safety	2014-OP-003	20.600	19,096	-
State and Community Highway Safety	2014-CIOT-020	20.600	10,000	-
State and Community Highway Safety	2014-PT-047	20.600	17,682	-
Subtotal CFDA Number 20.600			<u>87,425</u>	<u>-</u>
Alcohol Traffic Safety and Drunk Driving Prevention Incentive	2014-410-032	20.601	15,606	-
Alcohol Traffic Safety and Drunk Driving Prevention Incentive	2014-410-014	20.601	42,611	-
Alcohol Traffic Safety and Drunk Driving Prevention Incentive	2014-410-034	20.601	1,403	-
Alcohol Traffic Safety and Drunk Driving Prevention Incentive	2013-410-006	20.601	2,665	-
Alcohol Traffic Safety and Drunk Driving Prevention Incentive	2013-410-003	20.601	400	-
Alcohol Traffic Safety and Drunk Driving Prevention Incentive	2013-410-004	20.601	14,617	-
Subtotal CFDA Number 20.601			<u>77,303</u>	<u>-</u>
Subtotal Highway Safety Cluster			<u>164,729</u>	<u>-</u>
Minimum Penalties for Repeat Offenders for DWI	2013-164-077	20.608	19,114	-
Subtotal CFDA Number 20.608			<u>19,114</u>	<u>-</u>

CITY OF CHANDLER, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AS OF JUNE 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program Title	Contract Number	Federal CFDA Number	Expenditures	Payments To Subrecipients
Highway Planning and Construction	N/A	20.205	48,175	-
Highway Planning and Construction	N/A	20.205	218,704	-
Highway Planning and Construction- Recovery Act Funded	JPA 09-0501	20.205	369	-
Subtotal CFDA Number 20.205			<u>267,248</u>	<u>-</u>
Total Department of Transportation			<u>864,190</u>	<u>-</u>
U.S. Department of Homeland Security				
Direct programs:				
Assistance to Firefighters Grant	EMW-2012-FO-05528	97.044	192,999	-
Assistance to Firefighters Grant	EMW-2012-FP-00601	97.044	29,742	-
Subtotal CFDA Number 97.044			<u>222,741</u>	<u>-</u>
Total Department of Homeland Security			<u>222,741</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 10,002,233</u>	<u>\$ 1,732,492</u>

CITY OF CHANDLER, ARIZONA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of City of Chandler, Arizona under programs of the federal government for the year ended June 30, 2014. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the applicable OMB cost principles circular, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Any negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE 3 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2014 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier, a period, and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier, a period, and the word “unknown” were used.

**CITY OF CHANDLER, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

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 auditor's report issued on compliance for major programs: Unmodified

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>
14.871	Section 8 Housing Choice Vouchers
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,067

Auditee qualified as low-risk auditee? X yes _____no

**CITY OF CHANDLER, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

**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, 2014**

Status of Federal Award Findings and Questioned Costs

Reference Number: 2013-1

Program: Community Development Block Program

CFDA Number: 14.218

Status: Corrected.