



SINGLE AUDIT REPORTING PACKAGE

Year Ended June 30, 2015



TOWN OF MARANA, ARIZONA
SINGLE AUDIT REPORTING PACKAGE
YEAR ENDED June 30, 2015

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HENRY & HORNE, LLP
Certified Public Accountants

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

To 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, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Marana, Arizona's basic financial statements, and have issued our report thereon dated December 11, 2015.

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 the 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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiency 2015-001 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Town of Marana's Response to Finding

Town of Marana's response to the finding identified in our audit is described in the accompanying schedule of findings and questions costs. Town of Marana's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 11, 2015



HENRY & HORNE, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133

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 Circular A-133 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, 2015. 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 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 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.

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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, 2015.

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 the 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 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.

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 remaining fund information of the Town of Marana, Arizona, as of and for the year ended June 30, 2015, 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 11, 2015, 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 as a whole.

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.

Henry & Horne LLP

Casa Grande, Arizona
December 11, 2015

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**TOWN OF MARANA, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Grantor's Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Pima County -			
Community Development Block Grant 2013-2014	14.218	CT.CD.14*109	13,996
Community Development Block Grant 2014-2015	14.218	CT.CD.15*166	1,304
Total U.S. Department of Housing and Urban Development			<u>15,300</u>
<u>U.S. Department of Justice</u>			
Direct Grant -			
Bulletproof Vests	16.607	JAG-06-135	4,388
Passed through Drug Enforcement Administration -			
Drug Enforcement Administration	16.001	Resolution 2014-054 MOU	4,765
Drug Enforcement Administration	16.001	Resolution 2014-078 MOU	16,170
			<u>20,935</u>
Total U.S. Department of Justice			<u>25,323</u>
<u>U.S. Department of Transportation</u>			
Federal Aviation Administration	20.106	AIP 3-04-0058-019-2012	<u>452,352</u> *
Passed through Governor's Office of Highway Safety-			
Selective Traffic Enforcement (STEP)/Speed	20.600	2014-PT-012	21,660
DUI Enforcement (Additional funding (164)	20.600	2014-164-100	16,297
Accident Investigation Equipment	20.600	2014A-AI-013	20,919
DUI High Visibility Impaired Driver/DUI Alcohol	20.600	2015-HV-014	40,000
Selective Traffic Enforcement (STEP)/Speed	20.600	2015-PT-020	38,604
Total U.S. Department of Transportation			<u>137,480</u>
<u>U.S. Department of Treasury</u>			
Secret Service	21.004	MOU	<u>1,553</u>
<u>Executive Office of the President, Office of National Drug Control Policy</u>			
Passed through Pima County -			
High Intensity Drug Trafficking Program	95.001	HT-13-2314	17,599
High Intensity Drug Trafficking Program	95.001	HT-14-2314	64,090
Total Executive Office of the President, Office of National Drug Control Policy			<u>81,689</u>
<u>U.S. Department of Homeland Security</u>			
Passed through Arizona Department of Emergency and Military Affairs -			
Homeland Security Grant Program	97.067	130427-01	12,531
Homeland Security Grant Program	97.067	140419-01	43,433
Homeland Security Grant Program	97.067	130427-02	14,400
Passed through Arizona Department of Homeland Security -			
AZ Dept of Emergency & Military Affairs - 2014 National Homeland Security Conf	97.067		2,201
AZ Dept of Emergency & Military Affairs - 2015 National Homeland Security Conf	97.067	0177	1,488
Total U.S. Department of Homeland Security			<u>74,053</u>
Total Expenditures of Federal Awards			<u>\$ 787,750</u>

*denotes major program

TOWN OF MARANA, ARIZONA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

NOTE 1 BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal activity of Town of Marana, 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 2015 CFDA catalog.

TOWN OF MARANA, ARIZONA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2015

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)?

X yes ___ no

___ yes X none reported

Noncompliance material to financial statements noted?

___ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)?

___ yes X no

___ yes X 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 section 510(a) of OMB Circular A-133?

___ yes X no

Identification of major programs:

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

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

\$300,000

Auditee qualified as low-risk auditee?

X yes ___ no

TOWN OF MARANA, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

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

FINDING: 2015-001

CRITERIA

Generally Accepted Accounting Principles (GAAP) requires capital assets to be recorded at acquisition cost and then depreciated in a systemic and rational method over the estimated useful life of the asset, up to the acquisition cost.

CONDITION/CONTEXT

For several assets the Town's capital asset system continued to depreciate items beyond the asset's useful life.

EFFECT

Several capital assets on the Town's capital asset listing had accumulated depreciation greater than the acquisition cost of the asset. As a result the Town's capital assets were understated as accumulated depreciation was greater than the actual amount. A prior period adjustment was needed to correct the capital asset account for financial statement reporting.

CAUSE

Proper procedures were not in effect to ensure that accumulated depreciation for individual capital asset items did not exceed the acquisition cost of the asset.

RECOMMENDATION

It is recommended that the Town put into place procedures to ensure that accumulated depreciation for individual capital asset items does not exceed the acquisition cost of the asset.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION

Capital assets were previously managed in an unsupported, antiquated asset management system with limited reporting capabilities. In fiscal year 2014-15, the Town completed an implementation process to bring our capital assets into the current financial system. The new system has been set up to properly depreciate assets for their useful life using straight line depreciation. In addition, the Town has the ability to run detailed reports with the new system. The Town will, at a minimum, run annual reports to verify capital asset information, including net book value.

TOWN OF MARANA, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None Noted

SECTION IV – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no prior year findings.