



SINGLE AUDIT REPORTING PACKAGE

Year Ended June 30, 2021

TOWN OF MARANA, ARIZONA
SINGLE AUDIT REPORTING PACKAGE
Year Ended June 30, 2021

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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

To the Honorable Mayor and City 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, 2021, 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 January 4, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Marana, Arizona's internal control over financial reporting (internal control) as a basis for designing 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 the 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

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 financial statements. 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

Tempe, Arizona
January 4, 2022

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, 2021. 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 federal statutes, regulations and the terms and conditions of its federal awards 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 each 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, 2021.

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, 2021, 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 January 4, 2022, 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

Tempe, Arizona
January 4, 2022

TOWN OF MARANA, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

Federal Grantor / Pass-Through Grantor / Cluster / Program Title	Assistance Listing Number	Grantor's Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Pima County			
Community Development Block Entitlement Grant Cluster			
Community Development Block Grant 2019-2020	14.218	CT.CD.20*215	\$ 15,272
Community Development Block Grant 2018-2019	14.218	CT-CR-21-288	37,786
Total Community Development Block Entitlement Grant Cluster			<u>53,058</u>
Total U.S. Department of Housing and Urban Development			<u>53,058</u>
<u>U.S. Department of Justice</u>			
Direct Grant			
Bulletproof Vest Partnership Program	16.607	JAG-06-135	7,745
Law Enforcement Assistance_Narcotics and Dangerous Drugs_Laboratory Analysis	16.001	Resolution 2018-076 MOU	15,645
Passed through City of Tucson			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DC-20-013	86,645
Total U.S. Department of Justice			<u>110,035</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-19-2915	32,726
High Intensity Drug Trafficking Program	95.001	HT-20-2930	79,100
High Intensity Drug Trafficking Program	95.001	HT-21-2930	33,505
Total Executive Office of the President, Office of National Drug Control Policy			<u>145,331</u>
<u>U.S. Department of Transportation</u>			
Passed through Governor's Office of Highway Safety-			
Highway Safety Cluster			
Selective Traffic Enforcement (Step/Speed)	20.616	2020-PTS-030	15,156
Selective Traffic Enforcement (Step/Speed)	20.616	2021-PTS-033	21,766
DUI/Impaired Driving Enforcement	20.616	2020-II-003	7,537
DUI/Impaired Driving Enforcement	20.616	2021-II-003	30,527
Total Highway Safety Cluster			<u>74,986</u>
<u>U.S. Department of Agriculture</u>			
Passed through Arizona State Parks and Trails			
Cooperative Forestry Assistance	10.664	TREE-17-105	1,621

See accompanying notes to the schedule of expenditures of federal awards.

TOWN OF MARANA, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

Federal Grantor / Pass-Through Grantor / Cluster / Program Title	Assistance Listing Number	Grantor's Number	Expenditures
<u>U.S. Department of Homeland Security</u>			
Passed through Arizona Department of Emergency and Military Affairs			
Homeland Security Grant Program - Operation Stonegarden	97.067	190419-01	367,286
Homeland Security Grant Program - Operation Stonegarden	97.067	190419-02	<u>1,050</u>
Total U.S. Department of Homeland Security			<u>368,336</u>
<u>U.S. Department of Treasury</u>			
Direct Grant			
COVID-19 - AZ Cares Fund	21.019	ERMT-20-057	2,480,555 *
COVID-19 - State and Local Fiscal Recovery Fund	21.027	AZ-0032	<u>8,187,523 *</u>
Total U.S. Department of Treasury			<u>10,668,078</u>
<u>Federal Aviation Administration</u>			
Direct Grant			
COVID-19 FAA Cares Act Grant	20.106	3-04-0058-023-2020	<u>38,780</u>
<u>U.S. Environmental Protection Agency</u>			
Passed through the Water Infrastructure Finance Authority of Arizona			
Clean Water State Revolving Fund Cluster			
Capitalization Grants for Clean Water State Revolving Funds	66.458	910176-19	1,171,761 *
Drinking Water State Revolving Fund Cluster			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	9202993-19	<u>5,311,335 *</u>
Total U.S. Environmental Protection Agency			<u>6,483,096</u>
Total Expenditures of Federal Awards			<u>\$ 17,943,321</u>

* Denotes major program

TOWN OF MARANA, ARIZONA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

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, 2021. 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 not 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, 2021

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) identified 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
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds (American Rescue Plan)
21.019	COVID-19 - Coronavirus Aid, Relief, and Economic Security Act (CARES Act)
66.468	Capitalization Grants for Drinking Water State Revolving Funds
66.458	Capitalization Grants for Clean Water State Revolving Funds

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, 2021

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



TOWN OF MARANA, ARIZONA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2021

The findings from the year ended June 30, 2020 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year's schedule.

FINDINGS RELATED TO FINANCIAL STATEMENTS IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

FINDING 2020-001 CONTRIBUTED CAPITAL ASSETS

CRITERIA

Management is responsible for establishing and maintaining internal controls and designating individuals who possess suitable skill, knowledge, and experience to execute these controls and carry out their duties to ensure that all capital contributions are recorded and reported in accordance with generally accepted accounting principles (GAAP).

CONDITION/CONTEXT

Management reviews and evaluates contributions to determine the proper accounting treatment. However, the review and evaluation related to one material developer contribution, made in two separate instances, in a prior fiscal year did not properly identify and capture the value of the assets being contributed, due to unique circumstances related to that project, resulting in a material adjustment necessary to properly state the financial statements.

EFFECT

A prior period adjustment was required to properly report the beginning balances for capital assets and net position for the Business-Type Activities on the Government-Wide Statements and Proprietary Fund Statements.

CAUSE

For one material developer contribution, in which the entire contributed project was accepted in two separate instances by Town Council, the Town did not have an effective



internal control in place to properly detect a misstatement by means of a reconciliation between the two separate Town Council Resolutions and the Internal Cost Analysis of Contributions to the additions of the capital assets included in the general ledger.

RECOMMENDATION

It is recommended that all assets being contributed by developers and accepted by Town Council are reviewed and reconciled by the finance department to ensure that all assets are accurately captured in the Town capital assets.

Current Status: Corrected.

Sincerely yours,

A handwritten signature in blue ink, appearing to read "Yiannis Kalaitzidis". The signature is fluid and cursive, with a prominent initial "Y" and a long, sweeping tail.

Yiannis Kalaitzidis
Finance Director