

# **TOWN OF BUCKEYE, ARIZONA**



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CPAs & BUSINESS ADVISORS

# TOWN OF BUCKEYE, ARIZONA

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CPAs & BUSINESS ADVISORS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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To the Honorable Mayor and Town Council of the  
Town of Buckeye, Arizona  
Buckeye, Arizona

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 Buckeye, Arizona (the Town) as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 29, 2009. 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 the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 Town'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 Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 09-1 and 09-02 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency or a 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 Town's internal control.

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies 09-1 and 09-2 described above to be material weaknesses.

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## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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*.

### Arizona Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that the Town failed to use highway user revenue fund monies received pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the Town solely for the authorized transportation purposes. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Town's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Town Council, management, 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.

*Eide Bailly LLP*

Phoenix, Arizona  
December 29, 2009



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

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To the Honorable Mayor and Town Council of the  
Town of Buckeye, Arizona  
Buckeye, Arizona

**Compliance**

We have audited the compliance of the Town of Buckeye, Arizona (the Town) 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, 2009. The Town's major federal programs are identified in the summary of auditor's 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 Town's management. Our responsibility is to express an opinion on the Town'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 Town'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 on the Town's compliance with those requirements.

In our opinion, the Town 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, 2009.

**Internal Control Over Compliance**

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with 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 and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program.

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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 noncompliance on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town'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 Town's internal control.

Our consideration of internal control over compliance with requirements that could have a direct and material effect on a major federal program 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 with requirements that could have a direct and material effect on a major federal program 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 remaining fund information of the Town, as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 29, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose 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 the Town Council, management, 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.



Phoenix, Arizona  
December 29, 2009

**TOWN OF BUCKEYE, ARIZONA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2009**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of Town of Buckeye, Arizona.
2. Two significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. We consider these two significant deficiencies to be material weaknesses.
3. No instances of noncompliance material to the financial statements of Town of Buckeye, Arizona, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies were reported during the audit of internal control over major federal award programs in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award program for Town of Buckeye, Arizona expresses an unqualified opinion on the major federal program.
6. Audit findings required to be reported in accordance with Section 510(a) of OMB Circular A-133 is reported in Section III.
7. The programs tested as a major program were:
  - Airport Improvement Program – 20.106
  - Staffing for Adequate Fire and Emergency Response – 97.044
8. The threshold for distinguishing between Type A and B programs was \$300,000.
9. Town of Buckeye, Arizona does not qualify as a low-risk auditee.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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### SECTION II - FINANCIAL STATEMENT FINDINGS

#### MATERIAL WEAKNESS

##### 09-1 Preparation of Financial Statements

*Condition:* The Town does not have an internal control system designed to provide for the preparation of the financial statements being audited. The auditors were requested to, and did, draft the Town's financial statements and accompanying notes to the financial statements.

*Criteria or Specific Requirement:* A good system of internal control contemplates the preparation of financial statements including the relevant footnote disclosures.

*Context:* This finding impacts the Town's ability to internally prepare their financial statements.

*Effect:* The financial disclosures in the financial statements could be incomplete.

*Cause:* The Town does not have an internal control system designed to provide for the preparation of the financial statements being audited.

*Recommendation:* This circumstance is not unusual in a Town of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

*Response:* The Finance Department agrees with this finding. However, given expected continuing budget constraints on staffing, the Finance Department cannot commit that they will be able to prepare Town financial statements internally in future years, but will continue to provide training and take other steps to increase the Department's direct involvement in annual financial statement preparation

##### 09-2 Material Audit Adjustments

*Condition:* During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the Town's existing internal controls, and therefore could have resulted in a material misstatement of the Town's financial statements.

*Criteria or Specific Requirement:* A good system of internal accounting control contemplates an adequate system for recording and processing entries material to the financial statements.

*Context:* This finding impacts the Town's internal control for all significant accounting functions.

*Effect:* A material misstatement of the Town's financial statements that would not be prevented or detected.

*Cause:* Town of Buckeye does not have an internal control system designed to identify all necessary adjustments.

*Recommendation:* A thorough review and reconciliation of accounts should take place prior to the beginning of the audit. This review should be done at both the accounting staff and accounting supervisor levels.

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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*Response:* The Finance Department agrees in part with this finding. The Department expended considerable effort during the fiscal year to correct misstatements as they were identified during the year. Since beginning work in October, 2008, and with the exception of June, 2009, the Finance Director monthly conducted a limited review of the internally prepared statements and prepared review notes which were discussed and reviewed with staff. This practice to enhance internal controls will be continued.

### **SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COST**

No findings

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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### SECTION IV - FOLLOW-UP ON PRIOR FINDINGS

#### **Finding 08-06 RESOLVED**

*Condition:* Reimbursement requests were not always submitted in a timely manner

*Criteria:* OMB Circular A-133 - Cash Management.

*Effect:* Noncompliance with OMB Circular A-133 - Cash Management.

*Cause:* The Town did not reconcile grant activity on a regular basis, resulting in not requesting reimbursement for \$190,374.

*Recommendation:* In order to comply with OMB Circular A-B3 - Cash Management, reimbursement requests should be submitted monthly, unless monthly expenditures for the activity do not exceed \$1,000.

*Corrective Action Plan:* The Town concurs with this recommendation and will submit reimbursement requests in a timely manner.

*Contact Person:* Gail Reese, Finance Director

#### **Finding 08-07 RESOLVED**

CFDA No. 97.044

*Condition:* Reimbursement requests were not always submitted in a timely manner

*Context:* Three of four quarters.

*Criteria:* OMB Circular A-133 - Cash Management.

*Effect:* Noncompliance with OMB Circular A-133 - Cash Management.

*Cause:* The Town did not reconcile grant activity on a regular basis.

*Recommendation:* In order to comply with OMB Circular A-B3 - Cash Management, reimbursement requests should be submitted within 30 days following each quarter.

*Corrective Action Plan:* The Town concurs with this recommendation and will submit reimbursement requests in a timely manner.

*Contact Person:* Gail Reese, Finance Director

**TOWN OF BUCKEYE, ARIZONA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2009**

| <u>Grantor Agency</u>   | <u>Federal<br/>CFDA<br/>Number</u> | <u>Agency or<br/>Pass-through<br/>Contract Number</u> | <u>Federal<br/>Expenditures</u> |
|---|------------------------------------|---|---------------------------------|
| <b><u>U.S. Department of Housing and Urban Development</u></b>                        |                                    |   |                                 |
| Community Development Block Grant   | 14.218                             | DG0801  | \$ <u>30,842</u>                |
| <b><u>U.S. Department of Health &amp; Human Services</u></b>                          |                                    |   |                                 |
| Child Care  | 93.UNKNOWN                         | 2009-10-BKY   | \$ 76,639                       |
| Passed through the Dept of Economic Security:<br>Temporary Assistance to Needy Family | 93.558                             | 2009-10-BKY   | 37,356                          |
| Community Services Block Grant  | 93.569                             | 2009-10-BKY   | 6,244                           |
| Low Income Home Energy Assistance   | 93.568                             | 2009-10-BKY   | 25,808                          |
| Social Services Block Grant   | 93.667                             | 2009-10-BKY   | 6,914                           |
| Title III-B   | 93.044                             | 2009-10-BKY   | 17,000                          |
| Title III-C   | 93.045                             | 2009-10-BKY   | 147,685                         |
| NSIB  | 93.053                             | 2009-10-BKY   | <u>6,100</u>                    |
|   |                                    |   | 170,785                         |
| Total U.S. Department of Health & Human Services                                      |                                    |   | <u>\$ 323,746</u>               |
| <b><u>U.S. Department of Transportation</u></b>                                       |                                    |   |                                 |
| Airport Improvement Program   | 20.106                             | 04-0005-014   | \$ 107,004                      |
| Airport Improvement Program   | 20.106                             | 04-0005-12  | 260,903                         |
| Airport Improvement Program   | 20.106                             | 04-0005-11  | <u>22,650</u>                   |
| Total U.S. Department of Transportation   |                                    |   | <u>\$ 390,556</u>               |
| <b><u>U.S. Department of Homeland Security</u></b>                                    |                                    |   |                                 |
| Staffing for Adequate Fire & Emergency Resp   | 97.044                             | EMW-06-FF-04456                                       | \$ 149,040                      |
| Urban Areas Security Initiative   | 97.067                             | 2006-GE-T6-0007                                       | 673                             |
| Homeland Security Fire/Police/Public Works  | 97.067                             | 333828-01   | 7,374                           |
| Homeland Security Hardening of Well Site  | 97.067                             | 333808-0  | <u>43,956</u>                   |
|   |                                    |   | 52,003                          |
| Nuclear Management  | 97.077                             | N/A   | 56,629                          |
| AZ Homeland Sec Grant (PD)  | 97.078                             | 333220-01   | <u>41,783</u>                   |
| Total U.S. Department of Homeland Security  |                                    |   | <u>\$ 299,454</u>               |
| <b>Total Federal Expenditures</b>   |                                    |   | <u><b>\$ 1,044,598</b></u>      |

**TOWN OF BUCKEYE, ARIZONA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2009**

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**NOTE 1 - BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Buckeye, Arizona, and is presented on the 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*.