



Restated Single Audit Act Reports and
Schedule of Expenditures of Federal Awards
June 30, 2010

Town of Buckeye, Arizona

TOWN OF BUCKEYE, ARIZONA

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	1
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	3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	5
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	6
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	
Summary of Auditor's Results	7
Financial Statement Findings	8
Federal Award Findings	9
Summary Schedule of Prior Audit Findings	9



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

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, 2010, which collectively comprise the Town's basic financial statements and have issued our report thereon dated January 31, 2011. As noted in the financial statements, the Town applied an adjustment to beginning fund balances and net assets to correct capital assets which were not recorded in the period the assets were acquired. 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; and the provisions of Title 28, Chapter 18, Article 2 of the Arizona Revised Statutes.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements of the Town as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) 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 the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. 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. We did not note any deficiencies in internal control that we consider to be significant deficiencies.

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. We consider the deficiencies in the Town's internal control described in the accompanying schedule of findings and questioned costs as 10-1, 10-2, and 10-3 to be material weaknesses in internal control over financial reporting.

Compliance and Other Matters

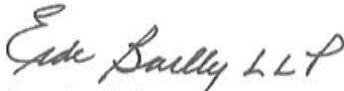
As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect 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.



Phoenix, Arizona
January 31, 2011



**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**

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, 2010. 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, except for the noncompliance described in the following paragraph, the Town 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, 2010.

Subsequent to the issuance of the Town's 2010 financial statements and our report dated January 31, 2011, we became aware that certain testing procedures required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, had not been performed. Upon performing those procedures, we determined that finding 2010-04 should be included within this report.

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.

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, 2010, which collectively comprise the Town's basic financial statements and have issued our report thereon dated January 31, 2011. 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

January 31, 2011, except for Note 2 to the Schedule of Federal Expenditures and the major program CFDA # 66.458 ARRA-Capitalization Grants for Clean Water State Revolving Funds which is dated January 5, 2012.

TOWN OF BUCKEYE, ARIZONA
RESTATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

<u>Grantor Agency</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Contract Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Community Development Block Grant	14.218	DG0801	\$ 240,324
<u>U.S. Department of Health & Human Services</u>			
Community Services Block Grant - ARRA	93.71	CXSO	\$ 67,996
Social Services Block Grant	93.667	SX10	30,195
Title III-B	93.044	AAA	17,000
Title III-C	93.045	AAA	141,585
NSIB	93.053	AAA	3,211
			<u>161,796</u>
Total U.S. Department of Health & Human Services			<u>\$ 259,987</u>
<u>U.S. Department of Transportation</u>			
Airport Improvement Program	20.106	04-0005-013	\$ 48,746
Airport Improvement Program	20.106	04-0005-014	42,349
Total U.S. Department of Transportation			<u>\$ 91,095</u>
<u>U.S. Department of Homeland Security</u>			
Staffing for Adequate Fire & Emergency Resp	97.044	EMW-06-FF04456	\$ 110,841
FEMA Driving Simulator	97.044	EMW-2008-FO-02762	307,030
			<u>417,871</u>
Urban Areas Security Initiative	97.067	09AZDOHS-HSGP	
		555802-01	249,954
DHS - CERT Deployment	97.067	555801-01	33,000
			<u>282,954</u>
Nuclear Management	97.077	Not Applicable	83,189
Maricopa County Neighborhood Narcotics Enforcement Team (MCNNET)	16.804	C-50-10-055-3-00	1,222
Total U.S. Department of Homeland Security			<u>\$ 785,236</u>
<u>U.S. Department of Justice</u>			
ARRA-COPS Hiring Recovery Program	16.710	2009RKWX0075	\$ 89,338
<u>Environmental Protection Agency</u>			
Passed through Water Infrastructure Finance Authority of Az ARRA-Capitalization Grants for Clean Water State Revolving Funds	66.458	Loan #91A140-10	\$ 2,649,907
Total Federal Expenditures			<u><u>\$ 4,115,887</u></u>

TOWN OF BUCKEYE, ARIZONA
NOTES TO RESTATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

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*.

NOTE 2 - RESTATEMENT

The Town's 2010 single audit report was reissued to add CFDA# 16.710 – COPS Hiring Recovery Program and CFDA # 66.458 ARRA-Capitalization Grants for Clean Water State Revolving Funds federal program to the schedule of expenditures of federal awards. The ARRA-Capitalization Grants for Clean Water State Revolving Funds program was audited as a major program and a material weakness was added to the Schedule of Findings and Questioned Costs as finding 2010-04.

TOWN OF BUCKEYE, ARIZONA
RESTATED SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

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. Three material weaknesses 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*.
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. One material weakness and 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 programs.
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:
 - Urban Areas Security Initiative and DHS-CERT Deployment – 97.067
 - Staffing for Adequate Fire and Emergency Response and Driving Simulator – 97.044
 - ARRA – Capitalization Grants for Clean Water State Revolving Funds – 66.458
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.

RESTATED SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION II - FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

10-1 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.

10-2 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.

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. Finance relies on receiving accurate information from other departments and outside contractors in a timely manner.

RESTATED SCHEDULE OF FINDINGS AND QUESTIONED COSTS

10-3 Prior Period Adjustment

Criteria: An accounting system identifies material adjustments in the correct period.

Condition: Two prior period adjustments were noted by the Town during the current year.

Cause: The adjustments were identified by the Town which caused material prior period adjustments.

Effect: This control deficiency resulted in material adjustments to the financial statements.

Recommendation: The Town should implement a procedure to review infrastructure recognition as part of its closing procedures.

Response: The Financial Department agrees with this finding. The Department has instituted new procedures with the Town Engineers to verify infrastructure is added in a complete and comprehensive manner.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COST

MATERIAL WEAKNESS

10-4 Reporting

Water Infrastructure Finance Authority (WIFA) Recovery Loan Program CFDA 66.458

Criteria: In fiscal year 2010, the Town received awards for the WIFA loan program under the federal American Recovery and Reinvestment Act of 2009 (the Recovery Act). The WIFA loan was awarded on a reimbursement basis to the Town in the total amount of \$12,000,000 for the expansion of an existing sewer treatment plant. Repayment on any expenditures incurred and reimbursed to the Town were to begin on July 1, 2010 and the total loan was to be repaid by the Town over a 20 year period.

Condition: The Town incurred expenditures in fiscal year 2010 for the WIFA loan program in the amount of \$2,649,907. These expenditures were not reflected in the Schedule of Expenditures of Federal Awards in fiscal year 2010.

Cause: The Town was not aware that expenditures incurred for the WIFA loan were required to be reported within the Schedule of Expenditures of Federal Awards as Recovery funding received as a pass-through grant from WIFA.

Effect: The Schedule of Expenditures of Federal Awards was understated by a total of \$2,649,907 in fiscal year 2010.

Recommendation: We recommend that the Town implement formal processes by which all loan and grant agreements are reviewed to identify federal funding, specifically funding under the Recovery Act, and related federal compliance requirements. Furthermore, we recommend that all expenditures under federal loan and grant programs be tracked and captured for proper presentation within the Schedule of Expenditures of Federal Awards.

Response: The Finance Department agrees with these findings. Going forward we will ensure that better communication exists between the departments to eliminate such issues.

SECTION IV - FOLLOW-UP ON PRIOR FINDINGS

No matters are reportable.