

**CITY OF TEMPE, ARIZONA
SINGLE AUDIT REPORTING PACKAGE
FOR THE YEAR ENDED JUNE 30, 2010**

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SINGLE AUDIT REPORTING PACKAGE
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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**

Honorable Mayor and Members of the City Council
City of Tempe, 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 City of Tempe, Arizona as of and for the year ended June 30, 2010, which collectively comprise City of Tempe, Arizona's basic financial statements and have issued our report thereon dated November 29, 2010. 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 City of Tempe, Arizona's internal control over financial reporting 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 City of Tempe, Arizona's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Tempe, Arizona's internal control over financial reporting.

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.

Our consideration of 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Tempe, Arizona's financial statements are free of 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*.

This report is intended solely for the information and use of management, the Honorable Mayor, Members of the City Council, City 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.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

November 29, 2010



**REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Independent Auditor's Report

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

Compliance

We have audited City of Tempe, Arizona's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Tempe, Arizona's major federal programs for the year ended June 30, 2010. City of Tempe, Arizona's major federal programs are identified in the summary of auditors' 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 City of Tempe, Arizona's management. Our responsibility is to express an opinion on City of Tempe, Arizona'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. 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 Tempe, 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. Our audit does not provide a legal determination of City of Tempe, Arizona's compliance with those requirements.

In our opinion, City of Tempe, Arizona 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.

Internal Control Over Compliance

Management of City of Tempe, Arizona is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Tempe, Arizona's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 Tempe, 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance 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 City of Tempe, Arizona as of and for the year ended June 30, 2010, and have issued our report thereon dated November 29, 2010, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise City of Tempe, Arizona's 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Honorable Mayor, Members of the City Council, City 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.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

November 29, 2010

**CITY OF TEMPE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures & Transfers</u>
<u>U.S. Department of Agriculture</u>			
Passed through Arizona Department of Health Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	HI 461227	S 1,970
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	HG661043	140,738
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	AZNN-AZDHS	<u>133,816</u>
Total U.S. Department of Agriculture			<u>276,524</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Programs:			
Section 8 Housing Choice Vouchers	14.871	N/A	9,674,069
Community Development Block Grant	14.218	N/A	1,110,104
ARRA: Homelessness Prevention & Rapid Re-Housing Program	14.257	N/A	74,215
Passed through Maricopa County:			
Home Investment Partnerships Program	14.239	M-06-DC-04-0227	<u>338,763</u>
Total U.S. Department of Housing and Urban Development			<u>11,197,151</u>
<u>U.S. Department of the Interior</u>			
Direct Program:			
Phoenix Metro/Agua Fria Recharge Project	15.504	N/A	702
Passed through National Park Service			
Historic Preservation Fund	15.904	N/A	<u>1,845</u>
Total U.S. Department of the Interior			<u>2,547</u>
<u>U.S. Department of Justice</u>			
Direct Programs:			
National Institute of Justice Research, Evaluation and Development	16.560	N/A	14,402
Organized Crime Drug Enforcement Task Force	16.Unknown	N/A	148,028
Drug Enforcement Agency Task Force	16.Unknown	N/A	14,923
Joint Terrorism Task Force	16.Unknown	N/A	17,535
Edward Byrne Memorial Formula Grant Program	16.579	N/A	141,535
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	16.804	N/A	510,423
Bulletproof Vest Partnership Program	16.607	N/A	5,754
Public Safety Partnership and Community Policing Grants	16.710	N/A	275,000
Passed through AZ Department of Public Safety:			
Crime Victim Assistance Cluster			
Crime Victim Assistance	16.575	00-904	55,653
ARRA - Crime Victim Assistance	16.801	N/A	<u>34,487</u>
Total Crime Victim Assistance Cluster			<u>90,140</u>
Passed through AZ Governor's Division for Children:			
Juvenile Accountability Block Grant	16.523	N/A	<u>11,828</u>
Total U.S. Department of Justice			<u>1,229,568</u>

CITY OF TEMPE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010
(CONTINUED)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures & Transfers
<u>U.S. Department of Transportation</u>			
Direct Program:			
Click it or Ticket Next Generation	20.614	N/A	18,829
Passed through Arizona Governor's Office of Highway Safety:			
Highway Safety Cluster			
State and Community Highway Safety	20.600	2010-410-023	22,620
State and Community Highway Safety	20.600	2010-163014	28,414
State and Community Highway Safety	20.600	2010-PT-022	36,925
State and Community Highway Safety	20.600	2009-AL-006	31,626
State and Community Highway Safety	20.600	2010-410-037	4,440
State and Community Highway Safety	20.600	2007-PT-041	44,250
State and Community Highway Safety	20.600	2010-AI-001	17,565
State and Community Highway Safety	20.600	2010-AI-012	2,780
State and Community Highway Safety	20.600	2009-AI-002	3,100
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	2007-KSHV-008	29,798
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	2008-410-020	18,179
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	2008-410-051	1,880
Safety Incentive Grants for Use of Seatbelts	20.604	N/A	4,758
Total Highway Safety Cluster			<u>246,335</u>
Passed through City of Phoenix:			
ARRA: Federal Transit: Formula Grants	20.507	AZ-96-X008	666,927
Passed through Arizona Department of Transportation:			
Highway Planning and Construction	20.205	CM-TMP-0(205)	383,657
Highway Planning and Construction	20.205	CM-TMP-0(028)A	202,732
Highway Planning and Construction	20.205		315,516
Highway Planning and Construction	20.205	CM-TMP-0(204)	751,436
Highway Planning and Construction	20.205	CM-TMP-0(206)	88,137
Highway Planning and Construction	20.205	CM-TMP-0(205)A	85,891
Highway Planning and Construction	20.205	CM-TMP-0(027)A	557,036
Highway Planning and Construction	20.205	STP-TMP-0(026)A	1,284,100
ARRA:Highway Planning and Construction	20.205	ARRA-TMP-0(211)A	439,930
			<u>4,108,435</u>
			<u>5,040,526</u>
<u>Total U.S. Department of Transportation</u>			
<u>U.S. Office of Library Services</u>			
Passed through Arizona Department of Library, Archives and Public Records:			
State Library Program	45.310	271-6-1	17,293
Total U.S. Office of Library Services			<u>17,293</u>
<u>Environmental Protection Agency</u>			
Passed through the Water Infrastructure Finance Authority:			
ARRA Capitalization Grants for Drinking Water State Revolving Funds	66.468	92A-174-10	997,201
ARRA Capitalization Grants for Drinking Water State Revolving Funds	66.468	92A-175-10	10,117,088
Total Environmental Protection Agency			<u>11,114,289</u>
<u>U.S. Department of Energy</u>			
Direct Program:			
ARRA: Energy Efficiency and Conservation Block Grant	81.128	N/A	13
Total U.S. Department of Energy			<u>13</u>
<u>U.S. Department of Health and Human Services</u>			
Direct Program:			
Prevention and Treatment of Substance Abuse (SAPT)	93.959	N/A	146,165
Total U.S. Department of Health and Human Services			<u>146,165</u>
<u>Executive Office of the President</u>			
Direct Program:			
High Intensity Drug Trafficking Areas Program	95.001	N/A	18,491
Total Executive Office of the President			<u>18,491</u>

CITY OF TEMPE, ARIZONA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2010
 (CONCLUDED)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures & Transfers
<u>U.S. Department of the Homeland Security</u>			
Direct Programs:			
Urban Areas Security Initiative	97.008	N/A	135,508
Urban Areas Security Initiative	97.008	2005-GE-T5-0030	12,944
			<u>148,452</u>
Passed through Arizona Department of Homeland Security			
Assistance to Firefighters Grant	97.044	EMW-2004-FP-02943	36,908
Homeland Security Cluster			
State Domestic Preparedness Equipment Support Program	97.004	2004-GE-T4-0051	984
Homeland Security Grant Program	97.067	5603171	114,000
Homeland Security Grant Program	97.067	N/A	121,750
Homeland Security Grant Program	97.067	2006-GE-T6-0007	1,402
Homeland Security Grant Program	97.067	08-AZDOHS-HSO	122,232
Homeland Security Grant Program	97.067	2006-C-030	9,400
Homeland Security Grant Program	97.067	2006-GE-T6-0007	5,258
Homeland Security Grant Program	97.067	555822-01/02	195,004
Homeland Security Grant Program	97.067	555214-01	71,749
Law Enforcement Terrorism Prevention Program (LETTP)	97.074	33202-04	27,829
Total Homeland Security Cluster			<u>669,608</u>
Total U.S. Department of the Homeland Security			<u>854,968</u>
Total Expenditures of Federal Awards			\$ <u>29,897,535</u>

CITY OF TEMPE, ARIZONA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Tempe, 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 2010 *Catalog of Federal Domestic Assistance*.

NOTE 3 – LOAN PROGRAM

The City of Tempe, Arizona has signed two capitalization grant agreements with the Water Infrastructure Finance Authority subsequent to June 30, 2009. The first agreement, #92A-174-10, is for \$4,084,503 and grants \$2.2 million in forgivable principal, with the remaining balance to be paid back over 20 years at an interest rate of 3.75% annually. The second agreement, #92A-175-10, is for \$14,045,799 to be paid back over 20 years at an interest rate of 2.0%. As expenditures for these agreements occurred during the year, the balances of these loans as of June 30, 2010 were \$4,084,503 and \$14,045,799, respectively.

**CITY OF TEMPE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? 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 that are not considered to be a material weakness(es)? yes X none reported

Type of auditors' report issued on compliance for major programs: Unqualified

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>
16.804	ARRA – Edward Byrne Memorial Justice Assistance Grant Program
20.205	Highway Planning and Construction
66.468	ARRA Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$896,926

Auditee qualified as low-risk auditee? X yes no

**CITY OF TEMPE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

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

None reported.

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None reported.

**CITY OF TEMPE, ARIZONA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2010**

Status of Federal Award Findings and Questioned Costs

The City of Tempe, Arizona had no findings or questioned costs related to federal awards noted in prior audits that require a status.