



Federal Awards Reports in Accordance with the
Single Audit Act and Uniform Guidance
June 30, 2018

City of Buckeye, Arizona

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Independent Auditor’s 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 of the
City of Buckeye, Arizona
Buckeye, Arizona

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the respective budgetary comparison for the general fund and major special revenue funds of the City of Buckeye, Arizona (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 19, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’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 City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting 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 deficiencies described in the accompanying schedule of findings and questioned costs as 2018-A and 2018-B, to be 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.


Phoenix, Arizona
December 19, 2018



Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by Uniform Guidance

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

Report on Compliance for the Major Federal Program

We have audited the City of Buckeye, Arizona’s (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the of the City’s major federal programs for the year ended June 30, 2018. The City’s major federal programs are 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.

Auditor’s Responsibility

Our responsibility is to express an opinion on the compliance for each of the City’s major federal programs 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 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 City’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 City’s compliance.

Opinion on the Major Federal Program

In our opinion, the City 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, 2018.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City'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 City'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 compliance requirement 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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be significant deficiency.

The City's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Buckeye's basic financial statements. We issued our report thereon dated December 19, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Phoenix, Arizona
December 19, 2018

City of Buckeye, Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Grantor Agency	Federal CFDA Number	Agency or Pass-through Contract Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Entitlement Cluster			
Community Development Block Grants/Entitlement Grants	14.218		\$ 352,079
Total U.S. Department of Housing and Urban Development			\$ 352,079
<u>Department of Forestry</u>			
<i>Passed through the Arizona Department of Forestry</i>			
Cooperative Forestry Assistance	10.664	16DG110316	\$ 4,000
Total Department of Forestry			\$ 4,000
<u>U.S. Department of Justice</u>			
Bulletproof Vest Partnership Program	16.607		\$ 5,500
Total U.S. Department of Justice			\$ 5,500
<u>U.S. Department of Transportation</u>			
Airport Improvement Program	20.106		\$ 87,819
<i>Passed through the Governor's Office of Highway Safety</i>			
<u>Highway Safety Cluster</u>			
Governor's Office of Highway Safety (GOHS)			
State and Community Highway Safety	20.600	2017-AL-010	40,504
State and Community Highway Safety	20.600	2017-CIOT-003	5,000
State and Community Highway Safety	20.600	2017-PT-007	2,900
Total Highway Safety Cluster			48,404
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	2017-II-002	3,392
<i>Passed through Arizona State Parks and Trails</i>			
Recreational Trails Program	20.219	471618	48,170
<i>Passed through Arizona Department of Transportation</i>			
Highway Planning and Construction	20.205	JPA:16-0005846-I	77,589
Total U.S. Department of Transportation			\$ 265,374
<u>Institute of Museum and Library Services</u>			
<i>Passed through Library Services and Technology</i>			
Grants to States	45.310	2017-0010-03	\$ 17,500
Total Institute of Museum and Library Services			\$ 17,500

City of Buckeye, Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Grantor Agency	Federal CFDA Number	Agency or Pass-through Contract Number	Federal Expenditures
<u>Environmental Protection Agency</u>			
<i>Passed through Water Infrastructure Finance Authority of Arizona</i>			
<u>Clean Water State Revolving Fund Cluster</u>			
Capitalization Grants for Clean Water State Revolving Funds	66.458	910158-13	\$ 81,709
<u>Drinking Water State Revolving Fund Cluster</u>			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	920240-15	29,615
Total Environmental Protection Agency			\$ 111,324
<u>U.S. Department of Health and Human Services</u>			
<i>Passed through the Area Agency on Aging, Region One, Inc.</i>			
<u>Aging Cluster</u>			
Special Programs for the Aging Title III-B, Grants for Supportive Services and Senior Centers	93.044	AAA	\$ 42,108
Special Programs for the Aging Title III-C, Nutrition Services	93.045	AAA	73,571
Nutrition Services Incentive Program	93.053	AAA	4,809
Total Aging Cluster			120,488
Social Services Block Grant	93.667	AAA	2,669
Total U.S. Department of Health & Human Services			\$ 123,157
<u>Executive Office of the President</u>			
<i>Passed through Maricopa County Sheriff's Office</i>			
High Intensity Drug Trafficking Areas Program	95.001	C-50-17-076-3-00	\$ 1,236
HIDTA Overtime only	95.001	HT-16-2615	23,490
Total Executive Office of the President			\$ 24,727
<u>U.S. Department of Homeland Security</u>			
<i>Passed through Arizona Department of Homeland Security</i>			
Assistance to Firefighters Grant	97.044	EMW-2016-FO-04101	\$ 249,764
Homeland Security Grant Program	97.067	150800-01	3,805
Homeland Security Grant Program	97.067	160800-01	45,118
Homeland Security Grant Program	97.067	150801-02	25,270
Homeland Security Grant Program	97.067	160801-01	46,631
Total U.S. Department of Homeland Security			\$ 370,588
Total Federal Expenditures			\$ 1,274,248

Note 1 - Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Buckeye, Arizona, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations*. The City received federal awards both directly from federal agencies and indirectly through pass-through entities.

Note 2 - Significant Accounting Policies

Governmental fund types account for the City’s federal grant activity. Therefore, expenditures in the schedule of expenditures of federal awards are recognized on the modified accrual basis – when they become a demand on current available financial resources. The City’s summary of significant accounting policies is presented in Note 1 in the City’s basic financial statements.

Note 3 - Indirect Cost Rate

The City has elected not to use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 4 - Loan Programs - WIFA

The City participates in certain federal award programs that sponsor revolving loan programs, which are administered by the City. These programs required servicing arrangements with the City. The funds are returned to the programs upon repayment of the principal and interest. Current transactions relating to these programs are included in the Schedule of Expenditures of Federal Awards. In accordance with 2 CFR section 200.502(b) and A-133.310(b)(6), the balance of the loan programs outstanding as of June 30, 2018 are as follows:

CFDA Number	Program Name	Outstanding Balance at June 30, 2018
66.458	Capitalization Grants for Clean Water State Revolving Funds	\$ 8,434,024
66.468	Capitalization Grants for Drinking Water State Revolving Funds	6,090,506
	Total Loans Outstanding	\$ 14,524,530

Clean Water State Revolving Funds (CWSRF) and Drinking Water State Revolving Funds (DWSRF) amounts are awarded by the EPA to States as grants. The States then make sub-awards in the form of loans to its sub-recipients. Therefore, in determining the amount of Federal funds expended to be reported on the Schedule of Expenditure of Federal Awards (SEFA), sub-recipients receiving CWSRF and DWSRF loans should include project expenditures incurred under these loans during the audit period as provided in 2 CFR section 200.502(a). These are sub-awards – not Federal loans – and, therefore neither 2 CFR sections 200.502(B) or (d) apply when calculating the amount of Federal fund expended.

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	Yes
Identification of major programs:	<u>CFDA Number</u>
Community Development Block Grants/ Entitlement Grants	14.218
Assistance to Firefighters Grant	97.044
Dollar threshold used to distinguish between Type A and Type B programs	\$ 750,000
Auditee qualified as low-risk auditee	No

Section II – Financial Statement Findings

2018-A – Material Audit Adjustments

Material Weakness

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.

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

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

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

Cause: City 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.

Views of responsible officials: The Finance Department agrees with this finding. We continue to review accounts throughout the year and especially at the end of the year. We have re-assigned workloads to allow for a better review process.

2018-B – Capital Assets

Material Weakness

Criteria: Capital assets are a significant accounting area for the City. A strong internal control structure and reconciling system should be implemented over this area to ensure that all significant activity is properly identified and accounted for.

Condition: During the fiscal year, the City continued to make noticeable efforts to improve upon its controls and processes surrounding the identification and proper recording of capital assets. However, there were material audit adjustments in the current year identified by the auditor during fieldwork and potential internal control matters were noted.

Cause: Given the size of the City's finance department, there are limited resources to apply to the reconciliation of capital asset activity throughout the year. There is inconsistent communication between the projects department and the finance department, where capital asset conveyances are at times, not effectively communicated to the finance department. There is also no formal process for determining when assets are placed in to service.

Effect: Material audit adjustments in the area of capital assets continue to be identified during audit fieldwork, which signifies that the City's internal control system does not serve to prevent and detect such misstatements.

Recommendation: We encourage the continued improvement of controls and implementation of reconciling processes in the area of capital assets and therefore recommend the following:

- Complete an annual analysis of avoidable interest and record an adjustment to capitalize the avoidable interest to construction in progress.
- Review the conveyed asset spreadsheet for calculation errors.
- Calculate the amortization expense for the deferred outflow for consideration in excess of asset value acquired and record an annual adjustment.
- The City should consider acquiring a fixed asset system to account for and monitor its physical assets and related depreciation as currently all asset activity is manually maintained within an Excel spreadsheet.

Views of responsible officials: The Finance Department agrees with this finding and we continue to put forth our best efforts.

Section III – Federal Award Findings and Questioned Cost

Significant Deficiency

2018-001 Department of Homeland Security
 CFDA # 97.044
 Assistance to Firefighters Grant

Procurement – Significant Deficiency

Assistance to Firefighters Grant 97.044

Criteria: Federal compliance provisions require that a non-Federal entity has procurement procedures for verifying that an entity with which it plans to enter into a covered transaction is not debarred, suspended, or otherwise excluded.

Condition: In the one procurement tested that was funded by federal monies, there was no documentation maintained or verification of vendor status with the federal government.

Cause: The City does not have policies and procedures compliant with state and federal requirements.

Effect: The City, as described above, is not in compliance with state and federal requirements. These instances of non-compliance could result in the City entering into a contract with a debarred, suspended, or otherwise excluded party, and thus not being in compliance with other state and federal requirements.

Questioned Costs: None.

Context: These instances of noncompliance prevent the City from ensuring the most advantageous procurement environment and transactions.

Repeat Finding from Prior Year(s): Yes, prior year finding 2016-001.

Recommendation: We recommend that the City implement a process to retain documentation or verification of the vendor status with the federal government.

Views of responsible officials: The City concurs with the findings that the file did not contain a paper copy from the System for Award Management (SAM) verifying eligibility to receive award. Although the vendor verification is completed, staff neglect to print the page from the website. Procurement will do their best to ensure printing of the verification is completed.