

**CITY OF TEMPE, ARIZONA
SINGLE AUDIT REPORTING PACKAGE
FOR THE YEAR ENDED JUNE 30, 2007**

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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 the City of Tempe, Arizona as of and for the year ended June 30, 2007, which collectively comprise the City of Tempe, Arizona's basic financial statements and have issued our report thereon dated November 21, 2007. 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 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 the City of Tempe, Arizona's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Tempe, Arizona's internal control over financial reporting.

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 entity'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 entity's financial statements 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 a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of 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 internal control that might be 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 the 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 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 21, 2007



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

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

Compliance

We have audited the compliance of the City of Tempe, Arizona 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 its major federal program for the year ended June 30, 2007. The City of Tempe, Arizona's major federal program is 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 its major federal program is the responsibility of the City of Tempe, Arizona's management. Our responsibility is to express an opinion on the 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, *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 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 the City of Tempe, Arizona's compliance with those requirements.

In our opinion, the City of Tempe, Arizona complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the 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 the 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 our auditing procedures for the purpose of expressing our opinion on compliance, 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 of Tempe, Arizona's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity'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 entity's internal control.

Our consideration of internal control over compliance 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 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 City of Tempe, Arizona as of and for the year ended June 30, 2007, and have issued our report thereon dated November 21, 2007. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the 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 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 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 21, 2007

**CITY OF TEMPE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grantor's Number</u>	<u>Expenditures & Transfers</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Programs:			
Section 8 Housing Choice Vouchers	14.871	N/A	\$ 8,508,011
Community Development Block Grant	14.218	N/A	2,910,413
Passed through Maricopa County:			
HOME Program	14.239	M-03-DC-04-0227	6,310
HOME Program	14.239	M-04-DC-04-0227	171,525
HOME Program	14.239	M-01-DC-04-0227	331,003
HOME Program	14.239	M-06-DC-04-0227	450,078
			<u>958,916</u>
Total U.S. Department of Housing and Urban Development			<u>12,377,340</u>
<u>U.S. Department of Justice</u>			
Passed through Arizona Department of Public Safety:			
Victims of Crime Assistance	16.575	99-811	52,134
Passed through Juvenile Justice and Delinquency Prevention:			
Title V: Local Delinquency Prevention Program	16.548	J5-CSG-04-5273-003Y1	43,154
Passed through Arizona Governor's Division for Children:			
Juvenile Accountability Incentive Block Grant	16.523	99JAIBG-22	21,695
Total U.S. Department of Justice			<u>116,983</u>
<u>U.S. Department of Transportation</u>			
Passed through Arizona Governor's Office of Highway Safety:			
State and Community Highway Safety	20.600	2005-PO-001	1,077
State and Community Highway Safety	20.600	2005-163-010	10,500
State and Community Highway Safety	20.600	2006-PT-038	54,067
			<u>65,644</u>
Alcohol Traffic Safety and Drunk Driving Prevention Incentive	20.601	2007-K8-018	22,322
Alcohol Traffic Safety and Drunk Driving Prevention Incentive	20.601	2007-K8HV-008	12,695
			<u>35,017</u>
Child Passenger Safety Week	20.604	2007-OP-011	3,990
DUI Processing Van 2006	20.604	2005-157AL-003	183,412
Click it or Ticket 2007	20.604	2005-163-036	4,488
			<u>191,890</u>
Passed through City of Phoenix:			
Federal Transit: Formula Grants	20.507	C2006-200	228,320
Federal Transit: Formula Grants	20.507	C2003-40,C2004-256	8,260,245
Federal Transit: Formula Grants	20.507	C2009-200	823,015
Federal Transit: Formula Grants	20.507	C2006-199,C2004-257	3,860,927
			<u>13,172,507</u>
Passed through Arizona Department of Transportation:			
Highway Planning and Construction	20.205	N/A	500,000
Highway Planning and Construction	20.205	CM-TMP-0(025)A	228,258
			<u>728,258</u>
Total U.S. Department of Transportation			<u>14,193,316</u>
<u>U.S. Department of Education</u>			
Direct Program:			
Twenty-First Century Community Learning Centers	84.287	S287B011304	118
Total U.S. Department of Education			<u>118</u>

CITY OF TEMPE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007
(CONCLUDED)

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grantor's Number</u>	<u>Expenditures & Transfers</u>
<u>U.S. Department of Health and Human Services</u>			
Direct Program:			
Prevention and Treatment of Substance Abuse (SAPT)	93.959	N/A	91,511
Passed through Arizona Governor's Division of Drug Policy:			
Consolidated Knowledge Development and Application (KD&A) Program	93.230	A9-0079-011	1,264
Total U.S. Department of Health and Human Services			<u>92,775</u>
<u>U.S. Department of Labor</u>			
Passed through Maricopa County Human Services Department:			
Workforce Investment Act	17.255	C-22-02-123-2-02	18,859
Total U.S. Department of Labor			<u>18,859</u>
<u>U.S. Department of the Interior</u>			
Direct Program:			
Phoenix Metro/Aqua Fria Recharge Project	15.504	01-FC-32-0010	15,170
Total U.S. Department of the Interior			<u>15,170</u>
<u>U.S. Department of Agriculture</u>			
Passed through Arizona Department of Health Services:			
State Administrative Matching Grants for Food Stamp Program	10.561	HI 461227	38,773
State Administrative Matching Grants for Food Stamp Program	10.561	HG661043	58,763
Total U.S. Department of Agriculture			<u>97,536</u>
<u>U.S. Office of Library Services</u>			
Passed through Arizona Department of Library, Archives and Public Records:			
State Library Program	45.310	N/A	2,871
Total U.S. Office of Library Services			<u>2,871</u>
<u>U.S. Department of the Homeland Security</u>			
Direct Programs:			
Urban Areas Security Initiative	97.008	2004-TU-T4-0017	188,183
Urban Areas Security Initiative	97.008	2006-GE-T6-0007	3,785
Urban Areas Security Initiative	97.008	2004-TU-T4-0017	266,490
Urban Areas Security Initiative	97.008	2005-GE-T5-0030	160,531
Urban Areas Security Initiative	97.008	2005-GE-T5-0030	518,147
			<u>1,137,136</u>
State Domestic Preparedness Equipment Support Program	97.004	2005-GE-T4-0051	101,624
State Domestic Preparedness Equipment Support Program	97.004	2004-GE-T4-0051	310,902
			<u>412,526</u>
Buffer Zone Protection Program	97.078	N/A	28,882
Citizen Corp Council 2005	97.053	2005-GE-T5-0030	21,196
Total U.S. Department of the Homeland Security			<u>1,599,740</u>
Total Expenditures of Federal Awards			<u>\$ 28,514,708</u>

CITY OF TEMPE, ARIZONA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

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 2007 *Catalog of Federal Domestic Assistance*.

**CITY OF TEMPE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

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:

CFDA Numbers
20.507

Name of Federal Program or Cluster
Federal Transit Formula Grants

Dollar threshold used to distinguish between Type A and Type B programs:

\$855,441

Auditee qualified as low-risk auditee?

 X yes no

**CITY OF TEMPE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

SECTION II - FINANCIAL STATEMENT FINDINGS

We noted no significant deficiencies, material weaknesses or instances of noncompliance related to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards*.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

We noted no significant deficiencies, material weaknesses or instances of noncompliance related to the audit of major federal programs as required to be reported by OMB Circular A-133.

**CITY OF TEMPE, ARIZONA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2007**

Status of Federal Award Findings and Questioned Costs

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