

CITY OF SURPRISE, ARIZONA
SINGLE AUDIT ACT REPORTS
YEAR ENDED JUNE 30, 2016

**CITY OF SURPRISE, ARIZONA
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the 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, and the aggregate remaining fund information of the City of Surprise, Arizona, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Surprise, Arizona's basic financial statements, and have issued our report thereon dated December 19, 2016.

Internal Control Over Financial Reporting

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

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. 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.

Our consideration of internal control 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Compliance and Other Matters

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

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 result of that testing, and not to provide an opinion on the effectiveness of the City of Surprise, Arizona'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 City of Surprise, Arizona's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Phoenix, Arizona
December 19, 2016



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AS
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Surprise, Arizona's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Surprise, Arizona's major federal programs for the year ended June 30, 2016. The City of Surprise, Arizona's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City of Surprise, Arizona'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 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 Surprise, 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Surprise, Arizona's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Surprise, Arizona complied, in all material respects, with the types of 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, 2016.

Report on Internal Control Over Compliance

Management of City of Surprise, Arizona is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Surprise, Arizona's internal control over compliance with the types of requirements that could have a direct and material effect on each 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 City of Surprise, 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. *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 over compliance 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.

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

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

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

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 Surprise, Arizona as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise City of Surprise, Arizona's basic financial statements. We issued our report thereon dated December 19, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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 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 basic 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 basic financial statements or to the basic 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 basic financial statements as a whole.



CliftonLarsonAllen LLP

Phoenix, Arizona
December 19, 2016

**CITY OF SURPRISE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditor’s report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ 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? _____ yes X none reported

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 2 CFR 200.516(a)? _____ yes X no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant Cluster
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ yes X no

**CITY OF SURPRISE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None noted

**CITY OF SURPRISE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures	Subrecipient's Share of Total Expenditures
<u>U.S. DEPARTMENT OF DEFENSE</u>				
Arizona Military Energy Land Use Plan	12.610	EN-1567-16-01	\$ 22,248	\$ 22,248
<u>U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT</u>				
Neighborhood Stabilization Program (NSP3)	14.218	Program Income	34,876	-
Community Development Block Grants/Entitlement Grants	14.218	B-12-MC-04-0514	4,478	-
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-04-0514	246,069	264
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-04-0514	320,974	9,686
Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-04-0514	391,920	41,406
Total Community Development Block Grant Cluster			<u>998,317</u>	<u>51,356</u>
Passed Through Maricopa County HOME Consortium				
HOME Investment Partnership Program - 2011	14.239	6048	495	-
HOME Investment Partnership Program - 2012	14.239	3085	10,866	-
HOME Investment Partnership Program - 2013	14.239	C-22-14-039-3-00	25,233	-
HOME Investment Partnership Program - 2015	14.239	3230	123,013	-
Total HOME Investment Partnership Program			<u>159,607</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>1,157,924</u>	<u>51,356</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Passed Through Arizona Department of Public Safety				
Office of Victims of Crime/Crime Victim Assistance	16.575	2014-259	63,312	-
Office of Victims of Crime/Crime Victim Assistance	16.575	2015-218	47,977	-
Total Office of Victims of Crime/Crime Victim Assistance			<u>111,289</u>	<u>-</u>
Passed Through Maricopa County, Arizona				
Edward Byrne Memorial Justice Assistance Grant (JAG) Programs	16.738	2014-DJ-BX-1197	5,756	-
Passed Through Maricopa County, Arizona				
Drug Enforcement Agency/Task Force	16.unkn	SW-AZ-1761H	463	-
Drug Enforcement Agency/Task Force	16.unkn	D-17-PX-0073/0074	33,491	-
Total Drug Enforcement Agency/Task Force			<u>33,954</u>	<u>-</u>
Total U.S. Department of Justice			<u>150,999</u>	<u>-</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Passed Through Arizona Department of Transportation				
Highway Planning and Construction	20.205	SUR-0(220)T	65,932	-
Passed Through Maricopa Association of Governments				
Highway Planning and Construction	20.205	021648936	775,311	-
Total Highway Planning and Construction Grant			<u>841,243</u>	<u>-</u>
Passed Through Governor's Office of Community and Highway Safety				
DUI Enforcement	20.600	2016-AL-044	17,264	-
DUI Enforcement/Alcohol Enforcement Overtime	20.600	2015-AL-017	7,412	-
Accident Investigation Education/Training - IPTM	20.600	2015-AI-010	1,190	-
Emergency Medical Services	20.600	2015-EM-014	11,141	-
Accident Investigation Enforcement Related Equipment	20.600	2016-AI-004	14,000	-
Click It or Ticket	20.600	2016-CIOT-015	4,000	-
Total Highway Safety Cluster			<u>55,007</u>	<u>-</u>
Total U.S. Department of Transportation			<u>896,250</u>	<u>-</u>

See accompanying notes to schedules of expenditures of federal awards.

**CITY OF SURPRISE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures	Subrecipient's Share of Total Expenditures
<u>U.S. DEPARTMENT OF HUMAN SERVICES</u>				
Passed through the Area Agency on Aging, Region One				
Special Programs for the Aging - Title III, Part C - Nutritional Services	93.045	2016-36-SUR	\$ 39,415	\$ -
Passed Through Maricopa County Human Services				
Community Action Program Services	93.667	C-22-13-070-3-02	83,014	-
Total Department of Health and Human Services			<u>122,429</u>	<u>-</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY/FEMA</u>				
Passed through the Arizona Department of Emergency and Military Affairs				
Disaster Assistance	97.036	4203-DR-AZ-013-71510-00	280,137	-
Passed through the Arizona Department of Homeland Security				
Homeland Security Grant Program	97.067	140810-02	15,332	-
Homeland Security Grant Program	97.067	140825-01	36,972	-
Homeland Security Grant Program	97.067	140825-02	15,000	-
Homeland Security Grant Program	97.067	150821-01	49,508	-
Homeland Security Grant Program	97.067	150822-01	24,265	-
Total U.S. Department of Homeland Security			<u>421,214</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,771,064</u>	<u>\$ 73,604</u>

See accompanying notes to schedules of expenditures of federal awards.

**CITY OF SURPRISE, ARIZONA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of Surprise, Arizona under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of Example Entity, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Surprise, Arizona.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. City of Surprise, Arizona has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.