

TOWN OF ORO VALLEY, ARIZONA  
SINGLE AUDIT REPORTING PACKAGE  
Year Ended June 30, 2021

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INDEPENDENT AUDITORS' 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 Town Council  
Town of Oro Valley, 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 Town of Oro Valley, Arizona, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Oro Valley, Arizona's basic financial statements, and have issued our report thereon dated January 6, 2022.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Oro Valley, Arizona's internal control over financial reporting (internal control) as a basis for designing 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 Town of Oro Valley, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Oro Valley, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as item 2021-001 that we consider to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Oro Valley, 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 financial statements. 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Town of Oro Valley, Arizona's Response to Finding**

Town of Oro Valley, Arizona's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. Town of Oro Valley, Arizona's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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.

*Henry + Horne, LLP*

Tempe, Arizona  
January 6, 2022



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and Town Council  
Town of Oro Valley, Arizona

**Report on Compliance for Each Major Federal Program**

We have audited Town of Oro Valley, 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 Town of Oro Valley, Arizona's major federal programs for the year ended June 30, 2021. The Town of Oro Valley, Arizona's major federal program is 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for the Town of Oro Valley, Arizona's major federal program 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 the Town of Oro Valley, 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 Town of Oro Valley, Arizona's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Town of Oro Valley, Arizona, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

### **Report on Internal Control Over Compliance**

Management of the Town of Oro Valley, 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 the Town of Oro Valley, Arizona'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 Town of Oro Valley, 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.

## **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 the Town of Oro Valley, Arizona, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Oro Valley, Arizona's basic financial statements. We issued our report thereon dated January 6, 2022, 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.

*Henry + Horne, LLP*

Tempe, Arizona  
January 6, 2022

TOWN OF ORO VALLEY, ARIZONA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2021

Federal Grantor / Pass-Through Grantor / Program Title	Assistance Listing Number	Cluster Title	Grantor's Number	Expenditures
<u>U.S. Department of Transportation</u>				
Passed through Governor's Office of Highway Safety State and Community Highway Safety	20.513	Transit Services Program Cluster	GRT-19-0007505-T	\$ 17,256
National Priority Safety Programs	20.616	Highway Safety Cluster	2020-PTS-039	20,713
National Priority Safety Programs	20.616	Highway Safety Cluster	2021-PTS-040	91,331
National Priority Safety Programs	20.616	Highway Safety Cluster	2021-405c-008	37,956
National Priority Safety Programs	20.616	Highway Safety Cluster	2021-405d-027	31,269
Total Highway Safety Cluster				<u>181,269</u>
Total U.S. Department of Transportation				<u>198,525</u>
<u>National Park Service</u>				
Passed through Arizona State Parks Board Total National Park Service	15.904		AZ-19-10014	<u>20,000</u> <u>20,000</u>
<u>U.S. Department of Justice</u>				
Passed through Bureau of Justice Assistance Bulletproof Vest Partnership Program Total Department of Justice	16.607		OMB #1121-0235	<u>9,576</u> <u>9,576</u>
<u>Executive Office of the President, Office of National Drug Control Policy</u>				
Passed through City of Tucson High Intensity Drug Trafficking Areas Program	95.001		HT-19-2942	7,327
High Intensity Drug Trafficking Areas Program	95.001		HT-20-2942	98,175
High Intensity Drug Trafficking Areas Program	95.001		HT-21-2942	11,338
Total Executive Office of the President				<u>116,840</u>
<u>U.S. Department of Homeland Security</u>				
Passed through Arizona Department of Homeland Security Homeland Security Grant Program	97.067		190420-01	75,264
Homeland Security Grant Program	97.067		180422-03	53,856
Homeland Security Grant Program	97.067		200421-01	12,009
Total U.S. Department of Homeland Security				<u>141,129</u>
<u>U.S. Department of Treasury</u>				
Direct Grant COVID-19 - Coronavirus Relief Fund	21.019		ERMT-20-063	5,286,153 *
COVID-19 - State and Local Fiscal Recovery Fund	21.027		AZ-0035	4,428,447 *
Total U.S. Department of Treasury				<u>9,714,600</u>
Total Expenditures of Federal Awards				<u>\$ 10,200,670</u>

\* Denotes major program tested



TOWN OF ORO VALLEY, ARIZONA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2021

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Oro Valley under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with 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). Because the Schedule presents only a selected portion of the operations of the Town of Oro Valley, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Oro Valley.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- B) The Town of Oro Valley has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

TOWN OF ORO VALLEY, ARIZONA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2021

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued:

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

yes  no

Federal Awards

Internal control over major programs:

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

Type of auditors’ report issued on compliance for each major program listed below

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?

yes  no

Identification of major programs:

Assistance Listing Numbers	Name of Federal Program or Cluster
21.019	COVID-19 - Coronavirus Aid, Relief, and Economic Security Act (CARES Act)
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds (American Rescue Plan)

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

\$750,000

Auditee qualified as low-risk auditee?

yes  no

TOWN OF ORO VALLEY, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2021

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

FINDING: 2021-001: Contributed Capital Assets

CRITERIA

Management is responsible for establishing and maintaining internal controls and designating individuals who possess suitable skill, knowledge, and experience to execute these controls and carry out their duties to ensure that all capital contributions are recorded and reported in accordance with generally accepted accounting principles (GAAP).

CONDITION/CONTEXT

Management reviews and evaluates contributions to determine the proper accounting treatment. However, the review and evaluation related to one material contribution in a prior fiscal year did not properly identify and capture the value of the assets being contributed resulting in a material adjustment necessary to properly state the financial statements.

EFFECT

A prior period adjustment was required to properly report the beginning balances for capital assets and net position for the Governmental Activities on the Government-Wide Statements.

CAUSE

For one material capital contribution, in which the contributed project was accepted by Town Council, the Town did not have an effective internal control in place to capture the financial effects of the agreement with the Town.

RECOMMENDATION

It is recommended that all assets being contributed and accepted by Town Council are reviewed and reconciled by the finance department to ensure that all assets are accurately captured in the Town capital assets.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION

The Town concurs with the finding. See Corrective Action Plan.

TOWN OF ORO VALLEY, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2021

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None Noted

Town of Oro Valley, Arizona  
Finance Department



The Town of Oro Valley respectfully submits the following corrective action plan for the year ended June 30, 2021.

Henry & Horne LLP  
2055 E. Warner Rd., Suite 101  
Tempe, Arizona 85284  
Audit Period: June 30, 2021

The findings from the June 30, 2021 schedule of findings are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

#### FINDINGS-FINANCIAL STATEMENT AUDIT- MATERIAL WEAKNESS

##### 2021-001: Contributed Capital Assets

###### Condition

Management reviews and evaluates contributions to determine the proper accounting treatment. However, the review and evaluation related to one material contribution in a prior fiscal year did not properly identify and capture the value of the assets being contributed resulting in a material adjustment necessary to properly state the financial statements.

###### Corrective Action

We concur. The Town will update the existing review and evaluation process to ensure all assets being contributed to and accepted by the Town Council agree with the Resolution identifying the acceptance of the assets.

*David Gephart*

David Gephart  
Finance Director  
520-229-4768

*It's in our nature*

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