



Town of Gilbert, Arizona
Single Audit Reporting Package
Year Ended June 30, 2020

**TOWN OF GILBERT, ARIZONA
SINGLE AUDIT REPORTING PACKAGE
FOR THE YEAR ENDED JUNE 30, 2020**

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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***

Independent Auditor's Report

Honorable Mayor and Members of the Town Council
Town of Gilbert, 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 discretely presented component unit and the aggregate remaining fund information of Town of Gilbert, Arizona, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Town of Gilbert, Arizona's basic financial statements, and have issued our report thereon dated December 16, 2020.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Gilbert, 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 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 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.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Tucson, Arizona
December 16, 2020

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

Independent Auditor's Report

Honorable Mayor and Members of the Town Council
Town of Gilbert, Arizona

Report on Compliance for Each Major Federal Program

We have audited Town of Gilbert, 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 Town of Gilbert, Arizona's major federal programs for the year ended June 30, 2020. Town of Gilbert, Arizona'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 compliance for each of Town of Gilbert, 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 Town of Gilbert, 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 Town of Gilbert, Arizona's compliance.

Opinion on Each Major Federal Program

In our opinion, Town of Gilbert, 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, 2020.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on each major federal program is not modified with respect to this matter.

Town of Gilbert, Arizona is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. Town of Gilbert, Arizona's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Management of Town of Gilbert, 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 Town of Gilbert, 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 Town of Gilbert, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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 discretely presented component unit and the aggregate remaining fund information of Town of Gilbert, Arizona as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Town of Gilbert, Arizona's basic financial statements. We issued our report thereon dated December 16, 2020, which contained unmodified opinions on those basic 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 taken as a whole.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Tucson, Arizona
February 18, 2021

TOWN OF GILBERT, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2019 - 6/30/2020

<i>Federal Awarding Agency/Program Title</i>	<i>Federal CFDA Number</i>	<i>Additional Award Identification (Optional)</i>	<i>Name of Funder Pass-Through Entity</i>	<i>Identifying Number Assigned By Funder Pass-Through Entity</i>	<i>Total Amount Provided to Sub-Recipients</i>	<i>Federal Expenditures</i>	<i>Federal Program Total</i>	<i>Cluster Name</i>	<i>Cluster Total</i>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT									
COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS	14.218	B-20-MC-04-0511				\$800,674	\$843,344	CDBG - ENTITLEMENT GRANTS CLUSTER	\$843,344
COVID-19 - COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS	14.218	B-20-MW-04-0511				\$42,670	\$843,344	CDBG - ENTITLEMENT GRANTS CLUSTER	\$843,344
<i>HOME INVESTMENT PARTNERSHIPS PROGRAM</i>	14.239		MARICOPA COUNTY HUMAN SERVICES DEPARTMENT	M12-DC040227	\$525,635	\$525,635	\$525,635	N/A	\$0
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					\$525,635	\$1,368,979			
DEPARTMENT OF JUSTICE									
CORONAVIRUS EMERGENCY SUPPLEMENTAL FUNDING PROGRAM	16.034	2020-VD-BX-1191				\$25,279	\$30,554	N/A	\$0
<i>CORONAVIRUS EMERGENCY SUPPLEMENTAL FUNDING PROGRAM</i>	16.034	COVID-19	ARIZONA CRIMINAL JUSTICE COMMISSION	2020-VD-BX-0309		\$5,275	\$30,554	N/A	\$0
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16.738	2017-DJ-BX-0787				\$14,778	\$30,969	N/A	\$0
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16.738	2019-DJ-BX-0416				\$16,191	\$30,969	N/A	\$0
TOTAL DEPARTMENT OF JUSTICE						\$61,523			
DEPARTMENT OF TRANSPORTATION									
STATE AND COMMUNITY HIGHWAY SAFETY	20.600		ARIZONA GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2019-SB-001		\$20,341	\$68,796	HIGHWAY SAFETY CLUSTER	\$187,772
STATE AND COMMUNITY HIGHWAY SAFETY	20.600		ARIZONA GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2019-405D-071		\$18,946	\$68,796	HIGHWAY SAFETY CLUSTER	\$187,772
STATE AND COMMUNITY HIGHWAY SAFETY	20.600		ARIZONA GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2020-SB-001		\$27,009	\$68,796	HIGHWAY SAFETY CLUSTER	\$187,772
STATE AND COMMUNITY HIGHWAY SAFETY	20.600		ARIZONA GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2020-AI-004		\$2,500	\$68,796	HIGHWAY SAFETY CLUSTER	\$187,772
NATIONAL PRIORITY SAFETY PROGRAMS	20.616		ARIZONA GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2019-405D-017		\$27,687	\$118,976	HIGHWAY SAFETY CLUSTER	\$187,772
NATIONAL PRIORITY SAFETY PROGRAMS	20.616		ARIZONA GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2019-405H-005		\$4,045	\$118,976	HIGHWAY SAFETY CLUSTER	\$187,772
NATIONAL PRIORITY SAFETY PROGRAMS	20.616		ARIZONA GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2019-405D-071		\$28,420	\$118,976	HIGHWAY SAFETY CLUSTER	\$187,772
NATIONAL PRIORITY SAFETY PROGRAMS	20.616		ARIZONA GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2020-405D-018		\$58,824	\$118,976	HIGHWAY SAFETY CLUSTER	\$187,772
TOTAL DEPARTMENT OF TRANSPORTATION						\$187,772			
DEPARTMENT OF TREASURY									
<i>CORONAVIRUS RELIEF FUND</i>	21.019	COVID-19	STATE OF ARIZONA	ERMT-20-042		\$22,974,647	\$22,974,647	N/A	\$0
TOTAL DEPARTMENT OF TREASURY						\$22,974,647			
DEPARTMENT OF HOMELAND SECURITY									
ASSISTANCE TO FIREFIGHTERS GRANT	97.044		CITY OF MARICOPA	EMW-2017-FR-00143		\$12,701	\$12,701	N/A	\$0
HOMELAND SECURITY GRANT PROGRAM	97.067		ARIZONA DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS	EMW-2018-SS-00004		\$18,662	\$159,997	N/A	\$0
HOMELAND SECURITY GRANT PROGRAM	97.067		ARIZONA DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS	EMW-2019-SS-00002-S01		\$141,335	\$159,997	N/A	\$0
TOTAL DEPARTMENT OF HOMELAND SECURITY						\$172,698			
TOTAL EXPENDITURE OF FEDERAL AWARDS						\$525,635	\$24,765,619		

Please Note:

Italicized award lines indicate pass-through funding

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of the schedule.

TOWN OF GILBERT, ARIZONA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2019 - 6/30/2020

Significant Accounting Policies Used in Preparing the SEFA

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Town of Gilbert, Arizona under programs of the federal government for the year ended June 30, 2020. The information in the Schedule is presented in accordance with the 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, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town. 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. Any 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. Pass-through entity identifying numbers are presented where available.

10% De Minimis Cost Rate

The auditee did not use the de minimis cost rate.

Catalog of Federal Domestic Assistance Numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or through beta.sam.gov. If the three-digit CFDA extension is unknown, there is a U followed by a two-digit number in the CFDA extension to identify one or more Federal award lines from that program. The first Federal program with an unknown three-digit extension is indicated with U01 for all award lines associated with that program, the second is U02, etc.

Unaudited - Donated Personal Protective Equipment (PPE)

During the fiscal year ended June 30, 2020, The Town of Gilbert, Arizona received donated PPE to respond to the COVID-19 pandemic. These amounts were not provided with any compliance or reporting requirements or an assistance listing (CFDA). Accordingly, the donated PPE was not counted in the expenditures reported on the SEFA and were therefore not subject to the single audit requirements. This information is being provided per the guidance from the U.S. Office of Management and Budget. During the fiscal year ended June 30, 2020 the Town of Gilbert, Arizona received donated PPE with a fair market value of approximately \$30,000.

**TOWN OF GILBERT, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Significant deficiency(ies) identified: No
- Material weakness(es) identified: No

Noncompliance material to financial statements noted: No

Federal Awards

Internal control over major programs:

- Significant deficiency(ies) identified: No
- Material weakness(es) identified: No

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 §200.516 of Uniform Guidance: Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.218	CDBG – Entitlement Grants Cluster
21.019	Coronavirus Relief Fund

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

Auditee qualified as low-risk auditee: Yes

Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards*: No

Findings and Questioned Costs Related to Federal Awards: No

Summary Schedule of Prior Audit Findings required to be reported: No

**TOWN OF GILBERT, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

Finding Number: 2020-001

Repeat Finding: No

Program Name/CFDA Title: CDBG – Entitlement Grants Cluster

CFDA Number: 14.218

Federal Agency: Department of Housing and Urban Development

Federal Award Number: N/A

Pass-Through Agency: N/A

Questioned Costs: N/A

Type of Finding: Noncompliance

Compliance Requirement: Reporting

CRITERIA

Cumulative cash receipts and cash disbursements are required to be reported on the quarterly Federal Financial Report, SF-425.

CONDITION

The Town did not correctly report cash receipts and disbursement on a quarterly SF-425 report.

CAUSE

The Town's process for reviewing and approving quarterly SF-425 reports did not detect the omission of certain program expenses.

EFFECT

The Town was not always in compliance with federal regulations and guidelines for SF-425, Federal Financial Reporting submission.

CONTEXT

Cash receipts and disbursements on the quarterly SF-425 ending 12/31/19 were understated by \$32,612; however, the net effect on the cash on-hand calculation was zero. Two of four quarterly reports were reviewed.

RECOMMENDATION

The Town should ensure that cumulative program receipts and disbursements are accurately reported for each quarterly Federal Financial Report SF-425 submitted.

VIEWS OF RESPONSIBLE OFFICIALS

See Corrective Action Plan.

February 19, 2021

To Whom It May Concern,

The Town of Gilbert, Arizona has prepared and submitted the following Corrective Action Plan (CAP) in response to the finding from the June 30, 2020 Schedule of Findings and Questioned Costs. The accompanying CAP has been prepared as required by U.S. Office of Management and Budget Uniform Guidance.

Finding Number: 2020-001

Management's view is in agreement with the finding. Our response to this finding has been to strengthen the Town's system of internal controls by providing a layer of review and approval to ensure the accuracy and completeness of the reporting requirements related to the quarterly Federal Financial Report, SF-425. As of the date of this report, management has implemented additional controls related to the latest quarterly submission.

Sincerely,



Melanie Dykstra
Volunteer and Community Resource Manager

**TOWN OF GILBERT, ARIZONA
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2020**

Findings and Questioned Costs Related to Federal Awards

Finding Number: 2020-001

Program Name/CFDA Title: CDBG – Entitlement Grants Cluster

CFDA Number: 14.218

Contact Person: Melanie Dykstra, Volunteer Community Resource Manager

Anticipated Completion Date: 2/19/2021

Planned Corrective Action: Management has strengthened the Town's system of internal controls by providing a layer of review and approval to ensure the accuracy and completeness of the reporting requirements related to the quarterly Federal Financial Report, SF-425. As of the date of this report, management has implemented additional controls related to the latest quarterly submission.