

CITY OF WILLIAMS, ARIZONA
SINGLE AUDIT ACT REPORT
FISCAL YEAR ENDED JUNE 30, 2021

CITY OF WILLIAMS, 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 Financial Statements
Performed in Accordance With *Government Auditing Standards***

The Honorable Mayor and
City Council
Williams, 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 City of Williams, Arizona, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Williams, Arizona's basic financial statements and have issued our report thereon dated June 29, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Williams, 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 Williams, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Williams, 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 were not identified. 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. We did identify the following significant deficiencies:

2021-001 Lack of documentation – Williams Housing Authority

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Williams, 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 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.



HintonBurdick, PLLC
Gilbert, Arizona
June 29, 2022

CITY OF WILLIAMS, ARIZONA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Agriculture			
Passed through Arizona Office of the State Forester			
Cooperative Forestry Assistance	10.664	19DG-11031600-061	\$ 3,207
Total U.S. Department of Housing			<u>3,207</u>
U.S. Department of Housing and Urban Development			
Housing Voucher Center Cluster:			
Passed through Arizona Department of Housing:			
Section 8 Housing Choice Vouchers	14.871	AZ041-00000121D	323,988
Total Housing Voucher Center Cluster			<u>323,988</u>
Passed through Arizona Department of Housing:			
Community Development Block Grant	14.228	100-21	254,652
Public and Indian Housing	14.850	AZ,041-00000120D, AZ041-00000121D	82,651
Total U.S. Department of Housing			<u>661,291</u>
U.S. Department of Transportation			
Federal Aviation Administration:			
Airport Improvement Program	20.106		535,332
COVID-19 CARES Act Funds	20.106		20,000
Total Airport Improvement Program			<u>555,332</u>
Highway Planning and Construction Cluster:			
Federal Highway Administration:			
Passed through Arizona Governor's Office of Highway Safety:			
Highway Planning and Construction	20.205	SL679 01X	168,024
Total Highway Planning and Construction Cluster			<u>168,024</u>
Highway Safety Cluster:			
National Highway Safety:			
Passed through Arizona Governor's Office of Highway Safety			
State and Community Highway Safety	20.600	2021-207-024	68,731
State and Community Highway Safety	20.600	2020-PTS-070	1,896
State and Community Highway Safety	20.600	2021-PTS-076	1,920
National Priority Safety Programs	20.616	2021-405D-046	3,840
National Priority Safety Programs	20.616	2020-405C-007	11,885
Total Highway Safety Cluster			<u>88,272</u>
Total U.S. Department of Transportation			<u>811,628</u>
U.S. Department of Treasury			
Passed through the State of Arizona:			
COVID-19-Arizona CARES Fund	21.109	ERMT-20-096	372,892
Total U.S. Department of Transportation			<u>372,892</u>
National Foundation on the Arts and the Humanities			
Passed through the State of Arizona:			
COVID-19-Arizona CARES Fund	45.310	2020-0720-48	2,229
Total U.S. Department of Homeland Security			<u>2,229</u>
U.S. Environmental Protection Agency			
Passed through Water Infrastructure Finance Authority of Arizona:			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	DW-011-2017	620,312
Total U.S. Environmental Protection Agency			<u>620,312</u>
U.S. Department of Homeland Security			
Passed through Arizona Department of Homeland Security:			
Homeland Security Grant Program	97.067	180113-01, 200111-01	28,673
Total U.S. Department of Homeland Security			<u>28,673</u>
Total expenditure of federal awards			<u>\$ 2,500,232</u>

The accompanying notes are an integral part of this schedule

CITY OF WILLIAMS, ARIZONA
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (schedule) includes the federal grant activity of the City of Williams, Arizona and is presented on the accrual basis of accounting. The information in this 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Indirect Cost Rate

The City did not elect to use the 10% de minimis indirect cost rate for the year ended June 30, 2021.

Note 3. Federal Loans and Loan Guarantee Programs Outstanding

The City had no balances of loan and loan guarantee programs outstanding as of June 30, 2021.



**Independent Auditors' Report on Compliance for
Each Major Federal Program and Report on Internal Control Over
Compliance in Accordance with the Uniform Guidance**

The Honorable Mayor and
City Council
Williams, Arizona

Report on Compliance for Each Major Federal Program

We have audited the City of Williams, Arizona's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the City of Williams, Arizona's major federal programs for the year ended June 30, 2021. 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.

Auditors' Responsibility

Our responsibility is to express an opinion on 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 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'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 Williams, Arizona's compliance.

Opinion on Each Major Federal Program

In our opinion, the City 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 fiscal year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the City 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 City'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 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 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.

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 City of Williams, Arizona, as of and for the year ended June 30, 2021, and have issued our report thereon dated June 29, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

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.



HintonBurdick, PLLC
Gilbert, Arizona
June 29, 2022

CITY OF WILLIAMS, ARIZONA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

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 no
- Significant deficiency (ies) identified that are not considered to be material weaknesses? yes no

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 material weaknesses? yes 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 2 CFR 200.516(a)? yes no

Identification of major programs.

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program
66.468	Capitalization Grants for Drinking Water State Revolving Funds

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

Auditee qualified as low-risk auditee? yes no

CITY OF WILLIAMS, ARIZONA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section II - Financial Statement Findings

Significant Deficiencies:

2021-001. Lack of Documentation – Williams Housing Authority

Criteria: Complete documentation of all transactions should be retained.

Condition: The Housing Authority was unable to provide all requested invoices for expenditures incurred during fiscal year 2021.

Cause: Employee turnover and extended absences of employees due to illness.

Effect: The Housing Authority was unable to provide complete documentation for all requested transactions.

Recommendations: We recommend the Housing Authority review their processes to ensure that in the event of extended employee absences or turnover adequate internal controls are in place to ensure documentation for all transactions is properly retained.

City's Response: The City has turned over management of the Williams Housing Authority to CH&A, LLC Management Company (Cindi Herrera, Executive Director) as of March 2022. This company is contracted with HUD.

Section III - Federal Award Findings and Questioned Costs

Internal Control Over Compliance:

Material Weaknesses:

None noted

Significant Deficiencies:

None noted

Compliance and Questioned Costs:

Compliance:

None noted

Questioned Costs:

No question costs reported

CITY OF WILLIAMS, ARIZONA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section IV - Summary of Prior Year Findings and Questioned Costs

2020-002. Financial Reporting – Form SF-425

Criteria: The Compliance Supplement for the Airport Improvement Program, CFDA #20.106, identifies Form SF-425 as a report that is required to be filed for the grant.

Condition: The City did not submit the required report.

Cause: Procedures for monitoring and completing the report have not been established.

Effect: The City is not in compliance with grant financial reporting requirement.

Recommendation: We recommend that the City establish procedures to ensure all required reports are submitted as required by the grant agreement.

Status: Resolved