

Single Audit

Schedule of Expenditures of Federal Awards
Reports on Internal Controls and Compliance with
Laws and Regulations

For the Fiscal Year Ended June 30, 2005

City of Prescott
Arizona

Single Audit

Schedule of Expenditures of Federal Awards

Table of Contents

Page No.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	1
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.....	3
Schedule of Findings and Questioned Costs Year Ended June 30, 2005	5
Schedule of Prior Audit Findings Year Ended June 30, 2004	6
Schedule of Expenditures of Federal Awards.....	7
Notes on Schedule of Expenditures of Federal Awards.....	11

City of Prescott
Arizona



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**INDEPENDENT AUDITOR'S 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 Members of the Council
City of Prescott, Arizona
Prescott, 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 Prescott* as of and for the year ended June 30, 2005, which collectively comprise the *City of Prescott's* basic financial statements and have issued our report thereon dated October 19, 2005. 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 Prescott's* internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the *City of Prescott'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*.

We noted certain other matters that we reported to management of City of Prescott in a separate letter dated October 19, 2005.

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Arizona Legal Compliance

We conducted our audit in accordance with generally accepted auditing standards and the provisions of the *Arizona Revised Statutes 99-481(B)(2)*, promulgated by the State Legislature. The audit included such tests of the accounting records and other auditing procedures as we considered necessary in the circumstances.

The results of the tests indicate that for the items tested, the *City of Prescott* complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of management, the Mayor and the City Council, 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.

A handwritten signature in black ink that reads "Eide Bailey LLP". The signature is written in a cursive, flowing style.

Phoenix, Arizona
October 19, 2005



CPAs & BUSINESS ADVISORS

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

To the Honorable Mayor and Members of the Council
City of Prescott, Arizona
Prescott, Arizona

Compliance

We have audited the compliance of the *City of Prescott* 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 each of its major federal programs for the year ended June 30, 2005. The *City of Prescott's* major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the *City of Prescott's* management. Our responsibility is to express an opinion on the *City of Prescott'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 Prescott'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 on the *City of Prescott's* compliance with those requirements.

In our opinion, the *City of Prescott* complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2005-1.

Internal Control Over Compliance

The management of the *City of Prescott* 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 Prescott's* internal control over compliance with 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 and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider being material weaknesses.

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 Prescott* as of and for the year ended June 30, 2005, and have issued our report thereon dated October 19, 2005. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the *City of Prescott'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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management, the Mayor and the City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

A handwritten signature in black ink that reads "Eide Bailey LLP". The signature is written in a cursive, flowing style.

Phoenix, Arizona
October 19, 2005

CITY OF PRESCOTT, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

SECTION I - SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of *City of Prescott*.
2. No reportable condition relating to the audit of the financial statements is reported in the Independent Auditor's 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*.
3. No instances of noncompliance material to the financial statements of *City of Prescott*, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No reportable conditions or material weaknesses were noted during the audit of the major federal award program or reported in the Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award program for *City of Prescott* expresses an unqualified opinion on the major federal programs.
6. No audit finding that was required to be reported in accordance with Section 510(a) of OMB Circular A-133 is reported in Section III.
7. The programs tested as a major program were: Federal Aviation Administration, Department of Transportation, Airport Improvement Program, CFDA 20.106 and US Department of Interior- National Park Service, Land and Water Conservation Fund Program, CFDA 15.916.
8. The threshold for distinguishing between Type A and B programs was \$300,000.
9. *City of Prescott* qualifies as a low-risk auditee.

CITY OF PRESCOTT, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters are reportable.

SECTION III - FINANCIAL STATEMENT FINDINGS

No matters are reportable.

FOLLOW-UP ON PRIOR FINDINGS

No matters reported in prior year.

CITY OF PRESCOTT, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

<i>Federal Grantor/Program Title/ Pass-Through Grantor</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Grantor's Number</i>	<i>Program or Award Amount</i>	<i>Fiscal Year 2005 Expenditures</i>
U.S. DEPARTMENT OF JUSTICE - Direct Programs				
Office of Community Oriented Policing Services COPS FAST Grant - Direct Program	16.726	N/A	\$ 600,000	\$ 1,882
Local Law Enforcement Block Grant Police Equipment Grants 2002 - Direct Program	16.592	N/A	22,252	20,612
Community Oriented Policing Services - Small Rural Communities Methamphetamine - Direct Program	16.710	N/A	220,086	17,814
Office of Justice Programs Bulletproof Vest Partnership Program - Direct Program	16.607	N/A	<u>6,772</u>	<u>3,995</u>
Total for the U.S. Dept. of Justice - Direct Programs			<u>\$ 849,110</u>	<u>\$ 44,303</u>
U.S. DEPARTMENT OF TRANSPORTATION FEDERAL AVIATION ADMINISTRATION				
Federal Aviation Administration Airport Improvement Grant - Direct Program	20.106	3-04-0030-19	\$ 1,585,250	\$ 541,720
Federal Aviation Administration Airport Improvement Perimeter Road Grant - Direct Program	20.106	3-04-0030-20	150,000	137,686
Federal Aviation Administration Airport Improvement Environmental Impact Grant - Direct Program	20.106	3-04-0030-21	91,060	38,070
Federal Aviation Administration Airport Improvement Runway Safety Grant - Direct Program	20.106	3-04-0030-22	<u>686,757</u>	<u>154,609</u>
Total for the U.S. Dept. of Transportation - Direct Programs			<u>\$ 2,513,067</u>	<u>\$ 872,085</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Community Development Block Grant - Administration - Direct Program	14.218	N/A	<u>\$ 65,704</u>	<u>\$ 51,756</u>

CITY OF PRESCOTT, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

<i>Federal Grantor/Program Title/ Pass-Through Grantor</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Grantor's Number</i>	<i>Program or Award Amount</i>	<i>Fiscal Year 2005 Expenditures</i>
Community Development Block Grant - Administration Passed Through Arizona Department of Housing	14.228	139-05	140,053	43,491
Community Development Block Grant - Project Aware Passed Through Arizona Department of Housing	14.228	145-05	4,935	15,426
Community Development Block Grant - Center Adult Day Care Passed Through Arizona Department of Housing	14.228	141-05	40,000	41
Community Development Block Grant - Pioneer Home Bus Passed Through Arizona Department of Housing	14.228	142-05	60,000	60,000
Community Development Block Grant - Adult Center Passed Through Arizona Department of Housing	14.228	139-05	<u>410,700</u>	<u>125</u>
	Total 14.228		<u>655,688</u>	<u>119,083</u>
Total for the U.S. Dept of Housing & Urban Development			<u>\$ 721,392</u>	<u>\$ 170,839</u>
U.S. DEPARTMENT OF DEFENSE				
Emergency Operations Flood Response and Post Flood Response Passed Through the Arizona Department of Emergency and Military Affairs	12.103	25-57380-00	<u>\$ 97,379</u>	<u>\$ 97,379</u>
Total for the U.S. Dept. of Defense			<u>\$ 97,379</u>	<u>\$ 97,379</u>
U.S. DEPARTMENT OF JUSTICE				
Local Law Enforcement Block Grant 2005 Passed Through the Arizona Criminal Justice Commission	16.592	LLBG-05-171	\$ 10,000	\$ 10,000
Narcotics Control Assistance Statewide Enhanced Drug Enforcement Program Passed Through the Arizona Criminal Justice Commission	16.579	AL-150-05	<u>81,925</u>	<u>81,925</u>
Total for the U.S. Department of Justice			<u>\$ 91,925</u>	<u>\$ 91,925</u>

CITY OF PRESCOTT, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

<i>Federal Grantor/Program Title/ Pass-Through Grantor</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Grantor's Number</i>	<i>Program or Award Amount</i>	<i>Fiscal Year 2005 Expenditures</i>
U.S. DEPARTMENT OF TRANSPORTATION				
Federal Highway Administration DUI Enforcement Program Passed Through the Arizona Governor's Office of Highway Safety	20.600	2004-410-013	\$ 33,000	\$ 31,317
Federal Highway Administration Concentrated Occupant Protection Enforcement Program Passed Through the Arizona Governor's Office of Highway Safety	20.600	2003/04-157B-011	41,909	18,892
	Total 20.600		<u>74,909</u>	<u>50,209</u>
Federal Highway Administration Rails to Trails Program Passed Through the Arizona Department of Transportation Highway Division	20.205	STP-PRS-0(1)P	398,000	7,745
Federal Highway Administration Highway Planning and Construction Passed through the Arizona Department of Transportation Highway Division	20.205	SPR/PL 0-1 (006)	225,000	66,034
	Total 20.205		<u>623,000</u>	<u>73,779</u>
Federal Highway Administration Transportation Enhancement Grant Passed through the Arizona Department of Transportation Highway Division	20.219	TEA-21	482,788	354
	Total for the U.S. Department of Transportation		<u>\$ 1,180,697</u>	<u>\$ 124,342</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
Domestic Preparedness Equipment Support Program Passed Through Yavapai County Emergency Management	97.004	MU-T3-0034	\$ 120,000	\$ 16,941
	Total for the U.S. Department of Homeland Security		<u>\$ 120,000</u>	<u>\$ 16,941</u>
OFFICE OF LIBRARY SERVICES				
Library Services & Technology Act Grant Passed Through the Arizona State Library	45.310	241-3-1-(12)	\$ 27,401	\$ 27,401
National Parks Service Historic Preservation Program passed through the Arizona State Parks	45.310	440004-13	2,700	2,700
	Total for the Office of Library Services		<u>\$ 30,101</u>	<u>\$ 30,101</u>

CITY OF PRESCOTT, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

<i>Federal Grantor/Program Title/ Pass-Through Grantor</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Grantor's Number</i>	<i>Program or Award Amount</i>	<i>Fiscal Year 2005 Expenditures</i>
U.S. DEPARTMENT OF AGRICULTURE				
Forest Service Cooperative Forestry Program State Fire Assistance SFA 3001 Passed Through the Arizona State Land Department and the Prescott Wildland Urban Interface Commission	10.664	SFA 3001	\$ 250,000	\$ 164,267
Total for the U.S. Department of Agriculture			<u>\$ 250,000</u>	<u>\$ 164,267</u>
U.S. DEPARTMENT OF INTERIOR - NATIONAL PARK SERVICE				
Land and Water Conservation Fund Program passed through the Arizona State Parks	15.916	400701	\$ 560,000	\$ 560,000
Total for the U.S. Department of Interior - National Park Service			<u>\$ 560,000</u>	<u>\$ 560,000</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 6,413,671</u>	<u>\$ 2,172,182</u>

CITY OF PRESCOTT, ARIZONA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Note 1 - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Prescott, Arizona, and is presented on the accrual basis of accounting. The information on 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 - Subrecipients

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the City of Prescott, Arizona provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Federal Highway Administration DUI Enforcement Program	20.600	\$ 19,927