

# 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, 2006

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City of Prescott  
Arizona

# Single Audit Schedule of Expenditures of Federal Awards

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City of Prescott  
Arizona



**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***

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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, 2006, which collectively comprise the *City of Prescott's* basic financial statements and have issued our report thereon dated October 20, 2006. 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; and the provisions of Title 28, Chapter 18, Article 2 of the Arizona Revised Statutes.

**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*.

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Arizona Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that the *City of Prescott* failed to use highway user revenue fund monies received pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the *City of Prescott* solely for the authorized transportation purposes. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

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.

*Eide Bailly LLP*

Phoenix, Arizona  
October 20, 2006



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**

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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, 2006. 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, 2006.

**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, 2006, and have issued our report thereon dated October 20, 2006. 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 20, 2006

**CITY OF PRESCOTT, ARIZONA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

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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 Housing and Urban Development- Community Development Block Grant, CFDA 14.228.
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, 2006**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

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No matters are reportable.

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COST**

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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, 2006**

<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 2006 Expenditures</i>
<b>U.S. DEPARTMENT OF JUSTICE - Direct Programs</b>				
<b>Direct Programs</b>				
Local Law Enforcement Block Grant Police Equipment Grants 2006 - Direct Program	16.592	N/A	\$ 15,300	\$ 1,868
Office of Community Oriented Policing Services 2002 Equipment Grants - Direct Program	16.710	N/A	178,250	49,217
Office of Justice Programs Bulletproof Vest Partnership Program - Direct Program	16.607	N/A	14,602	7,462
Narcotics Control Assistance Statewide Enhanced Drug Enforcement Program Passed Through the Arizona Criminal Justice Commission	16.579	AL-150-06	91,669	91,669
<b>Total for the U.S. Department of Justice</b>			<u>\$ 299,821</u>	<u>\$ 150,216</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
Community Development Block Grant - Administration - Direct Program	14.218	N/A	\$ 65,704	\$ 24,294
Community Development Block Grant - Administration Passed Through Arizona Department of Housing	14.228	139-05	140,053	69,368
Community Development Block Grant - Project Aware Passed Through Arizona Department of Housing	14.228	145-05	331,912	115,544
Community Development Block Grant - Habitat for Humanity Passed Through Arizona Department of Housing	14.228	140-05	100,000	10,067
Community Development Block Grant - Center Adult Day Care Passed Through Arizona Department of Housing	14.228	141-05	40,000	40,000
Community Development Block Grant - West Yavapai Guidance Clinic Passed Through Arizona Department of Housing	14.228	142-05	84,000	72,339
Community Development Block Grant - Adult Center Passed Through Arizona Department of Housing	14.228	139-05	410,700	123,567
Total for CFDA # 14.228			<u>1,106,665</u>	<u>430,885</u>
<b>Total for the U.S. Department of Housing and Urban Development</b>			<u>\$ 1,172,369</u>	<u>\$ 455,179</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
Domestic Preparedness Equipment Support Program Passed Through Yavapai County Emergency Management	97.004	MU-T3-0034	\$ 225,000	\$ 196,155
<b>Total for the U.S. Department of Homeland Security</b>			<u>\$ 225,000</u>	<u>\$ 196,155</u>

**CITY OF PRESCOTT, ARIZONA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

CITY OF PRESCOTT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Fiscal Year Ended June 30, 2006  
*(continued)*

<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 2006 Expenditures</i>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
<b>FEDERAL AVIATION ADMINISTRATION</b>				
Improvement Environmental Impact Grant - Direct Program	20.106	3-04-0030-21	\$ 124,820	\$ 28,708
Improvement Runway Safety Grant - Direct Program	20.106	3-04-0030-22	686,757	595,430
Taxiway D & F Electrical Rehab Grant - Direct Program	20.106	3-04-0030-23	872,114	866,231
Total for CFDA # 20.106			<u>1,683,691</u>	<u>1,490,369</u>
Federal Highway Administration DUI Enforcement Program Passed Through the Arizona Governor's Office of Highway Safety	20.600	2006-PT-027	5,113	3,830
Federal Highway Administration DUI Enforcement Program Passed Through the Arizona Governor's Office of Highway Safety	20.600	2005-163-001	30,000	6,528
Federal Highway Administration DUI Enforcement Program Passed Through the Arizona Governor's Office of Highway Safety	20.600	2005-AL-009	40,800	40,611
Federal Highway Administration DUI Enforcement Program Passed Through the Arizona Governor's Office of Highway Safety	20.600	2005-163SES-003	24,000	22,506
Federal Highway Administration Concentrated Occupant Protection Enforcement Program Passed Through the Arizona Governor's Office of Highway Safety	20.600	2006-OP-012	5,000	2,259
Federal Highway Administration Concentrated Occupant Protection Enforcement Program Passed Through the Arizona Governor's Office of Highway Safety	20.600	2005-157B-023	3,500	438
Total for CFDA # 20.600			<u>108,413</u>	<u>76,172</u>
Federal Highway Administration Highway Planning and Construction Passed through the Arizona Department of Transportation Highway Division	20.205	T0449A0010	349,356	193,698
<b>Total for the U.S. Department of Transportation</b>			<u>\$ 2,141,460</u>	<u>\$ 1,760,239</u>
<b>OFFICE OF LIBRARY SERVICES</b>				
Library Services & Technology Act School Membership Grant Passed Through the Arizona State Library	45.310	251-7-1-(07)	\$ 40,223	\$ 40,223
Library Services & Technology Act Cultural Diversity Grant Passed Through the Arizona State Library	45.310	251-4-1-(04)	\$ 12,008	\$ 11,996
National Parks Service Historic Preservation Program passed through the Arizona State Parks	45.310	440005-16	5,625	4,866
<b>Total for the Office of Library Services</b>			<u>\$ 57,856</u>	<u>\$ 57,085</u>

*(continued)*

**CITY OF PRESCOTT, ARIZONA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

<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 2006 Expenditures</i>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
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	\$ 229,935	\$ 198,134
<b>Total for the U.S. Department of Agriculture</b>			<u>\$ 229,935</u>	<u>\$ 198,134</u>
<b>U.S. DEPARTMENT OF INTERIOR - NATIONAL PARK SERVICE</b>				
State Historic Preservation Office - Smoki Assessment Program passed through the Arizona State Parks	15.904	04-05-20404	\$ 4,375	\$ 4,375
<b>Total for the U.S. Department of Interior - National Park Service</b>			<u>\$ 4,375</u>	<u>\$ 4,375</u>
<b>TOTAL FEDERAL ASSISTANCE</b>			<u>\$ 4,130,816</u>	<u>\$ 2,821,383</u>

**CITY OF PRESCOTT, ARIZONA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**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:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Federal Highway Administration DUI Enforcement Program	20.600	\$ 38,737