



Single Audit Report and Schedule of  
Expenditures of Federal Awards  
June 30, 2015

**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 City Council  
City of Prescott, Arizona  
Prescott, Arizona

We have audited, 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, 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, Arizona (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 16, 2015.

**Internal Control over Financial Reporting**

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Phoenix, Arizona  
December 16, 2015



**Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

To the City Council  
City of Prescott, Arizona

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

We have audited City of Prescott, Arizona (the City)’s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2015. 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 the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on the 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 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 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’s compliance.

**Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the 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, 2015.

**Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the 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 OMB Circular A-133, 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 compliance requirement 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 16, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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.



Phoenix, Arizona  
December 16, 2015

City of Prescott, Arizona  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2015

Federal Grantor/Program Title/ Pass-Through Grantor	Federal CFDA Number	Pass-Through Grantor's Number	Fiscal Year 2015 Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Cooperative Forestry Assistance Program State Fire Assistance Passed Through the Arizona Office of the State Forester	10.664	WFHF 13-201	\$ 27,762
	10.664	WFHF 14-207	63,608
	10.664	WFHF 14S-351	103,215
Passed Through the Arizona State Land Department and Prescott Wildland Urban Interface Commission	10.664	SFA 2008-08-002	<u>52,367</u>
			246,953
Schools and Roads - Grants to States Passed Through the Arizona State Schools & Roads and Yavapai County Board of Supervisors Title III Forest Project Funding	10.665	PL 106-393 (FF1515)	15,000
<b>Total for the U.S. Department of Agriculture</b>			<u><u>261,953</u></u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Community Development Block Grants - Administration - Direct Program	14.218	N/A	47,714
Adult Care Services - Direct Program	14.218	N/A	64,755
Coalition for Compassion & Justice - Direct Program	14.218	N/A	3,150
ARRA - Meals on Wheels - Direct Program	14.218	N/A	23,600
Cornucopia - Direct Program	14.218	N/A	6,560
Alzheimer's Association - Direct Program	14.218	N/A	2,500
New Horizon's Disability Empowerment - Direct Program	14.218	N/A	630
Dexter Sidewalk - Direct Program	14.218	N/A	148,023
Women's Shelter - Direct Program	14.218	N/A	<u>51,580</u>
Subtotal			348,512
<b>Total for the U.S. Dept of Housing &amp; Urban Development</b>			<u><u>348,512</u></u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Office on Violence Against Women Formula Grant	16.588	ST-WSG-15-010115-08	48,278
Office of Justice Programs Bulletproof Vest Partnership Program - Direct Program	16.607	N/A	15,333
Missing Alzheimer's Disease Patient Assistance Program	16.015	2012-SJ-BX-K002	27,664
Public Safety Partnership and Community Policing Grants Direct Program	16.710	2011-UM-WX-0017	152,400
Edward Byrne Memorial Justice Assistance Grant (JAG) Direct Program	16.738	2014-DJ-BX-0034	14,366
Passed Through the Arizona Criminal Justice Commission and Yavapai County	16.738	AL-150-10	<u>135,266</u>
			149,632
<b>Total for the U.S. Dept. of Justice</b>			<u><u>393,308</u></u>

City of Prescott, Arizona  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2015

Federal Grantor/Program Title/ Pass-Through Grantor	Federal CFDA Number	Pass-Through Grantor's Number	Fiscal Year 2015 Expenditures
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Airport Improvement Program			
AARF Truck - Acquire Aircraft Rescue & Fire Fighting Vehicle	20.106	3-04-0030-036-2015	1,456
State and Community Highway Safety Passed Through the Arizona Governor's Office of Highway Safety			
STEP Enforcement	20.600	2014-PT-016	6,382
STEP Enforcement	20.600	2015-PT-032	7,024
Buckle Up Arizona Enforcement	20.600	2015-CIOT-013	3,966
DUI Enforcement	20.600	2014-AL-005	247
DUI Enforcement	20.600	2015-405d-017	18,586
Subtotal			<u>36,205</u>
<b>Total for U.S. Department of Transportation</b>			<u><u>37,661</u></u>
<b>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>			
Grants to States			
Arizona State Library, Archives, and Public Records	45.310	N/A	8,316
<b>Total for Institute of Museum and Library Services</b>			<u><u>8,316</u></u>
<b>ENVIRONMENTAL PROTECTION AGENCY</b>			
Capitalization Grants for Clean Water State Revolving Funds Passed Through the Water Infrastructure Finance Authority of Arizona	66.458	N/A	2,613,237
Nonpoint Source Implementation Grants - Water Quality Improvement passed through Arizona Department of Environmental Quality	66.460	EV15-0004	504
Capitalization Grants for Drinking Water State Revolving Funds Passed Through the Water Infrastructure Finance Authority of Arizona	66.468	N/A	1,285,892
<b>Total for the Environmental Protection Agency</b>			<u><u>3,899,633</u></u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Citizenship Education and Training Passed Through the Transportation Security Administration	97.010	HSTS0213HSLR736	24,725
Cooperating Technical Partners Grant Floodplain Mapping Passed Through the Federal Emergency Management Agency	97.045	EMF-2010-GR-1019	1,876
Homeland Security Grant Program Passed Through the Federal Emergency Management Agency	97.067	13-AZDOHS-HSGP-130509-02	20,128
SWAT Equipment-Ballistic Plates and CBRN Masks	97.067	140515-01	24,380
Portable Radio Chargers	97.067	130509-03	11,092
Subtotal			<u>55,600</u>
<b>Total for the U.S. Department of Homeland Security</b>			<u><u>82,201</u></u>
<b>TOTAL FEDERAL ASSISTANCE</b>			<u><u>\$ 5,031,584</u></u>

**Note 1 – Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Prescott, Arizona (the City), 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 – Significant Accounting Policies**

Governmental fund types account for the City’s federal grant activity. Therefore, expenditures in the Schedule of Expenditures of Federal Awards are recognized on the modified accrual basis – when they become a demand on current available financial resources. The City’s summary of significant accounting policies is presented in Note 1 in the City’s basic financial statements.

**Note 3 – Subrecipients of Grant Awards**

Of the federal expenditures presented in the accompanying schedule of expenditures of federal awards, the City provided federal awards to subrecipients as follows:

Sub-Recipient	Project Name	Program Title	CFDA #	Total Expenditure Amount
Custom Castle Builders	Adult Care Services	Community Development Block Grants	14.218	\$ 60,780
Prescott Meals on Wheels	Meals on Wheels	Community Development Block Grants	14.218	23,600
Cornucopia Community	Cornucopia	Community Development Block Grants	14.218	6,560
Alzheimer's Association	Alzheimer's Association	Community Development Block Grants	14.218	2,500
New Horizon's	New Horizon's Disability Empowerment	Community Development Block Grants	14.218	630
PRC Area Womens	Women's Shelter	Community Development Block Grants	14.218	7,080
Copper Sun Construction, LLC	Women's Shelter	Community Development Block Grants	14.218	41,200
<b>Total Disbursements to Sub-Recipients for CFDA #14.218</b>				<b>\$ 142,350</b>

**Section I – Summary of Auditor’s Results**

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified	None Reported
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 Circular A-133, Section .510(a)	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>	
Capitalization Grants for Clean Water State Revolving Funds	66.458	\$ 2,613,237
Community Development Block Grants/ Entitlement Grants	14.218	348,512
		<u>\$ 2,961,749</u>

Dollar threshold used to distinguish between Type A and Type B programs	\$ 300,000
Auditee qualified as low-risk auditee	Yes

**Section II - Financial Statement Findings**

None noted.

**Section III - Federal Award Findings and Questioned Costs**

None noted.

**Section IV - Status of Prior Years Findings**

None noted.