Financial Reports

CITY OF PRESCOTT, ARIZONA
SINGLE AUDIT REPORTING PACKAGE

Year Ended June 30, 2018

Henry+Horne

CITY OF PRESCOTT, ARIZONA
SINGLE AUDIT REPORTING PACKAGE
YEAR ENDED June 30, 2018

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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*

To the Honorable Mayor and Council
City of Prescott, 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 the City of Prescott, Arizona, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Prescott, Arizona's basic financial statements, and have issued our report thereon dated November 21, 2018.

Internal Control over Financial Reporting

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

Henry + Horne LLP

Casa Grande, Arizona
November 21, 2018

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and Council
City of Prescott, Arizona

Report on Compliance for Each Major Federal Program

We have audited the City of Prescott, 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 the City of Prescott, Arizona's major federal programs for the year ended June 30, 2018. City of Prescott, Arizona's major federal programs are identified in the summary of auditors' 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 of Prescott, 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 the City of Prescott, 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 the City of Prescott, Arizona's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Prescott, 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, 2018.

Report on Internal Control over Compliance

Management of the City of Prescott, 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 the City of Prescott, 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 the City of Prescott, 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. 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 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Prescott, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Prescott's basic financial statements. We issued our report thereon dated November 21, 2018, which contained unmodified opinions on those 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 as a whole.

Henry + Horne LLP

Casa Grande, Arizona
November 21, 2018

CITY OF PRESCOTT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture:				
Pass-through programs from:				
Arizona Office of the State Forester				
Cooperative Forestry Assistance	10.664	WFHF 16-205		$ 26,510
Cooperative Forestry Assistance	10.664	WFHF 16-207		59,151
Cooperative Forestry Assistance	10.664	WFHF 13-214		3,787
Subtotal				89,448
Forest Service-Prescott National Forest				
Schools and Roads - Grants to States	10.665	16-CA-11030903-020		30,723
Arizona State Schools & Roads and Yavapai County Board of Supervisors				
Schools and Roads - Grants to States	10.665	PL 106-393 (FF1515)		2,198
Subtotal				32,921
Total U.S. Department of Agriculture				122,369
U.S. Department of Housing and Urban Development:				
Direct programs:				
Community Development Block Grants/ Entitlement Grants				
Administration	14.218	B-16-MC-04-0512	$ 46,587	46,587
Habitat for Humanity	14.218	B-15-MC-04-0512	19,320	19,320
WYGC	14.218	B-15-MC-04-0512	67,591	67,591
Dexter Pedestrian Bridge	14.218	B-16-MC-04-0512	72,605	72,605
Coalition for Compassion and Justice	14.218	B-17-MC-04-0512	11,929	11,929
Grace Sparks Hoops	14.218	B-17-MC-04-0512	4,896	4,896
Grace Sparks ADA	14.218	B-17-MC-04-0512	1,613	1,613
West Granite Creek Upgrade	14.218	B-17-MC-04-0512	8,611	8,611
Meals on Wheels	14.218	B-16-MC-04-0512	10,000	10,000
Fair Housing Education	14.218	B-15-MC-04-0512	200	200
People Who Care	14.218	B-16-MC-04-0512	7,500	7,500
New Horizon's Disability Empowerment	14.218	B-14-MC-04-0512	8,634	8,634
Women's Shelter	14.218	B-15-MC-04-0512	15,908	15,908
Subtotal			275,394	275,394
Total U.S. Department of Housing and Urban Development			275,394	275,394
U.S. Department of Justice				
Direct programs:				
Violence Against Women Formula Grants	16.588	ST-SART-18-010118-03		8,802
Violence Against Women Formula Grants	16.588	ST-WSG-15-010115-08Y3		2,026
Subtotal				10,828

See accompanying notes to schedule of expenditures of federal awards.

CITY OF PRESCOTT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Justice				
Direct programs:				
Bulletproof Vest Partnership Program	16.607			6,890
Pass-through programs from:				
Arizona Department of Public Safety				
Crime Victims Assistance	16.575	2015-VA-GX-0032		14,293
Crime Victims Assistance	16.575	2016-VA-GX-0046		43,144
Subtotal				57,437
Arizona Criminal Justice Commission and Yavapai County				
Edward Byrne Memorial Justice Assistance Grant	16.738	DC-17-011		19,443
Total U.S. Department of Justice				94,598
U.S. Department of Transportation				
Direct programs:				
Airport Improvement Program:				
Airport Master Plan	20.106	3-04-0030-0037-2016		396,762
Runway Rehab 3R 21L	20.106	3-04-0030-0038-2018		451,676
Subtotal				848,438
Pass-through programs from:				
Arizona Governor's Office of Highway Safety				
State and Community Highway Safety:				
STEP Enforcement	20.600	2018-PTS-054		11,091
STEP Enforcement	20.600	2017-PT-047		3,327
Buckle Up Arizona Enforcement Campaign	20.600	2018-CIOT-020		3,000
DUI Enforcement	20.600	2018-405D-041		23,829
DUI Enforcement	20.600	2017-405D-030		2,425
Subtotal				43,672
Total U.S. Department of Transportation				892,110
National Endowment for the Humanities				
Pass-through programs from:				
Institute of Museum and Library Services				
Grants to States - Arizona State Library, Archives, and Public Records	45.310	2017-0170-11		38,530
Environmental Protection Agency				
Pass-through programs from:				
Water Infrastructure Finance Authority of Arizona				
Capitalization Grants for Clean Water State Revolving Funds	66.458	CW-910170-18		4,227,648 *

See accompanying notes to schedule of expenditures of federal awards.

CITY OF PRESCOTT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Homeland Security				
Direct programs:				
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2015-FH-00698		765,220 *
Pass-through programs from:				
Arizona Department of Homeland Security				
Homeland Security Grant Program:				
Protective Body Armor and Helmets	97.067	17-AZDOHS-HSGP-170512-01		3,255
TLO Computer and Accessories	97.067	17-AZDOHS-HSGP-170513-01		2,307
SWAT Team - Ballistic Shield	97.067	17-AZDOHS-HSGP-170513-02		36,403
Extrication Equipment	97.067	EMW-2016-FO-06903		127,273
SWAT Team - Night Vision and Thermal Imaging	97.067	EMW-2017-SS-00033-S01		28,572
Subtotal				197,810
Total U.S. Department of Homeland Security				963,030
Total Expenditures of Federal Awards				$ 6,613,679

* Denotes major program

See accompanying notes to schedule of expenditures of federal awards.

CITY OF PRESCOTT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2018

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Prescott under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with 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 City of Prescott, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Prescott.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
B) The City of Prescott has elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

CITY OF PRESCOTT, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ____yes __X_ no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? ____ yes __X_ none reported

Noncompliance material to financial statements noted? ____ yes __X_ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ yes __X_no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? ____ yes __X_ none reported

Type of auditors' report issued on compliance for each major program listed below:

Capitalization Grants for Clean Water State Revolving Funds	Unmodified
Staffing for Adequate Fire and Emergency Response	Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? ____ yes __X__no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds
97.083	Staffing for Adequate Fire and Emergency Response

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

Auditee qualified as low-risk auditee? __X_ yes ___ no

CITY OF PRESCOTT, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

None noted.

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None noted.