

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, 2013

City of Prescott
Arizona

Single Audit

Schedule of Expenditures of Federal Awards

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City of Prescott
Arizona



HENRY & HORNE, LLP
 Certified Public Accountants

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 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 City of Prescott (the City), Arizona as of and for the year ended June 30, 2013, 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 9, 2013.

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 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.

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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.

Henry & Horne LLP

Casa Grande, Arizona
December 9, 2013



HENRY & HORNE, LLP
 Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
 AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

The Honorable Mayor and Council
 City of Prescott, Arizona

Report on Compliance for Each Major Federal Program

We have audited City of Prescott (the City), Arizona'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 City's major federal programs for the year ended June 30, 2013. The City'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 the requirements of laws, regulations, contracts, and grants 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 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'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 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, 2013.

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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 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 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.

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 as of and for the year ended June 30, 2013, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 9, 2013, 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 City's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 information is fairly stated in all material respects in relation to the basic 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Henry + Horne LLP

December 9, 2013
Casa Grande, Arizona

CITY OF PRESCOTT, ARIZONA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2013

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

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

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 a material weakness(es)? reported yes none

Type of auditors' report issued on compliance for major programs listed below.

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

yes no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
66.458	Recovery Act - Capitalization Grants for Clean Water State Revolving Funds
66.468	Recovery Act - Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

yes no

CITY OF PRESCOTT, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2013

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

SECTION IV – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Noted

CITY OF PRESCOTT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Fiscal Year Ended June 30, 2013

<i>Federal Grantor/Program Title/ Pass-Through Grantor</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Grantor's Number</i>	<i>Fiscal Year 2013 Expenditures</i>
U.S. DEPARTMENT OF JUSTICE			
Recovery Act-Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories Passed Through the Arizona Criminal Justice Commission and Yavapai County	16.803	AL-150-10	\$ 20,119
Office of Justice Programs Bulletproof Vest Partnership Program - Direct Program	16.607	N/A	2,397
Recovery Act - C.O.P.S Hiring Recovery Program Direct Program	16.710	N/A	196,156
Edward Byrne Memorial Justice Assistance Grant - Direct Program	16.738	N/A	10,814
Total for the U.S. Dept. of Justice			<u>\$ 229,486</u>
U.S. DEPARTMENT OF TRANSPORTATION			
* Federal Aviation Administration Airport Improve RW 3R-21L Safety Area Phase 2 - Direct Program	20.106	3-04-0030-033-2011	\$ 7,642,813
			<u>\$ 7,642,813</u>
Federal Highway Administration-AZ Governor's Office of Highway Safety			
STEP Enforcement	20.600	2012-PT-046	5,474
STEP Enforcement	20.600	2013-PT-037	4,226
Occupant Protection Enforcement Program	20.600	2013-OP-023	2,312
DUI Enforcement	20.600	2012-AL-043	11,364
DUI Enforcement	20.600	2013-AL-035	16,219
			<u>\$ 39,595</u>
Total for U.S. Department of Transportation			<u>\$ 7,682,408</u>

(continued)

* Indicates a Major Program

See Accompanying Notes

CITY OF PRESCOTT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Fiscal Year Ended June 30, 2013
 (continued)

<i>Federal Grantor/Program Title/ Pass-Through Grantor</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Grantor's Number</i>	<i>Fiscal Year 2013 Expenditures</i>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Community Development Block Grant - Administration - Direct Program	14.218	N/A	\$ 38,573
WYGC Renovations - Direct Program	14.218	N/A	79,978
ARRA - Meals on Wheels - Direct Program	14.218	N/A	30,002
Project Aware	14.218	N/A	40,460
Catholic Charities Virginia St	14.218	N/A	8,934
Fair Housing Education Program	14.218	N/A	1,200
Dexter Sidewalk	14.218	N/A	318,549
Total for the U.S. Dept of Housing & Urban Development			\$ 517,696
U.S. DEPARTMENT OF HOMELAND SECURITY			
Regional Response Teams Equipment	97.067		\$ 2,172
AIRS Communications	97.067		45,268
			\$ 47,440
FEMA Cooperating Technical Partners Grant Floodplain Mapping	97.045	EMF-2010-GR-1019	51,886
Transportation Security Administration Law Enforcement Officer Reimbursement Agreement Program	97.010	HSTS0213HSLR736	51,094
Total for the U.S. Department of Homeland Security			\$ 150,420
U.S. DEPARTMENT OF AGRICULTURE			
Cooperative Forestry Assistance Program State Fire Assistance Passed Through the Arizona Office of the State Forester Passed Through the Arizona State Land Department and Prescott Wildland Urban Interface Commission	10.664	WFHF 09-024	\$ 244,604
	10.664	SFA 2008-08-002	267,508
			512,112
Schools and Roads - Grants to States Passed Through Yavapai County	10.665	None	74,981
Total for the U.S. Department of Agriculture			\$ 587,093
US DEPARTMENT OF COMMERCE			
BTOP/Job Help Hub, passed through the Arizona State Library, Archives & Public Records	11.557	OER-11-ISA-BT-01	\$ 12,730
Total for the US Department of Commerce			\$ 12,730

CITY OF PRESCOTT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Fiscal Year Ended June 30, 2013
 (continued)

<i>Federal Grantor/Program Title/ Pass-Through Grantor</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Grantor's Number</i>	<i>Fiscal Year 2013 Expenditures</i>
INSTITUTE OF MUSEUM AND LIBRARY SERVICES			
Grants to States - LSTA, passed through the Arizona State Library, Archives and Public Records Office	45.310	2010-30058-03	\$ 15,000
Total for the Institute of Museum and Library Services			<u>\$ 15,000</u>
ENVIRONMENTAL PROTECTION AGENCY			
Recovery Act - Capitalization Grants for Clean Water State Revolving Funds passed through the Water Infrastructure Finance Authority of Arizona	66.458		\$ 12,510,702
ENVIRONMENTAL PROTECTION AGENCY			
Recovery Act - Capitalization Grants for Drinking Water State Revolving Funds passed through the Water Infrastructure Finance Authority of Arizona	66.468		\$ 8,465,089
Total for the Environmental Protection Agency			<u>\$ 20,975,791</u>
TOTAL FEDERAL ASSISTANCE			\$ 30,170,624

See accompanying notes to schedule

* Indicates a Major Program

City of Prescott, Arizona
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

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 - Catalog of Federal Domestic Assistance (CFDA) Numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2013 catalog of Federal Domestic Assistance.