



Federal Awards Report in Accordance with the Single
Audit Act and Uniform Guidance
June 30, 2016

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, 2016, 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, 2016.

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

Phoenix, Arizona
December 9, 2016



Independent Auditor’s Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by Uniform Guidance

To the City Council
City of Prescott, Arizona

Report on Compliance for the Major Federal Program

We have audited City of Prescott, Arizona (the City)’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City’s major federal program for the year ended June 30, 2016. The City’s major federal program is 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 the City’s major federal program 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 Compliance). Those standards and the Uniform Guidance 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 the major federal program. However, our audit does not provide a legal determination of the City’s compliance.

Opinion on the 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 the major Federal program for the year ended June 30, 2016.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the

major federal program and to test and report on internal control over compliance in accordance with 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'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 9, 2016, 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 Uniform Guidance 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 9, 2016

City of Prescott, Arizona
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2016

| Federal Grantor/Program Title/ Pass-Through Grantor | Grant Award Date | Federal CFDA Number | Pass-Through Grantor's Number | Fiscal Year 2016 Expenditures | Passed Through to Sub-Recipients |
|---|-------------------------|---------------------------|--|-------------------------------------|--|
| U.S. DEPARTMENT OF AGRICULTURE | | | | | |
| Cooperative Forestry Assistance Program State Fire Assistance Passed Through the Arizona Office of the State Forester | 11/1/2015 | 10.664 | WFHF 15B-313 | \$ 46,146 | |
| Schools and Roads - Grants to States Passed Through the Arizona State Schools & Roads and Yavapai County Board of Supervisors Title III Forest Project Funding | 12/7/2015 | 10.665 | PL 106-393 (FF1515) | 8,157 | |
| Total for the U.S. Department of Agriculture | | | | <u>\$ 54,303</u> | <u>\$ -</u> |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | | |
| Community Development Block Grant - Administration - Direct Program | 8/20/2015 | 14.218 | N/A | 46,629 | 46,629 |
| Agape House of Prescott - Direct Program | 8/20/2015 | 14.218 | N/A | 6,418 | 6,418 |
| Coalition for Compassion & Justice - Direct Program | 7/10/2014 | 14.218 | N/A | 13,762 | 13,762 |
| ARRA - Meals on Wheels - Direct Program | 8/20/2015 | 14.218 | N/A | 11,096 | 11,096 |
| Fair Housing Education Program | 8/20/2015 | 14.218 | N/A | 170 | 7,500 |
| Alzheimer's Association - Direct Program | 8/20/2015 | 14.218 | N/A | 7,500 | 170 |
| New Horizon's Disability Empowerment - Direct Program | 7/10/2014 | 14.218 | N/A | 735 | 735 |
| Women's Shelter - Direct Program | 7/10/2014 | 14.218 | N/A | 48,625 | 48,625 |
| Subtotal | | | | <u>134,936</u> | <u>134,935</u> |
| Total for the U.S. Dept of Housing & Urban Development | | | | <u>\$ 134,936</u> | <u>\$ 134,935</u> |
| U.S. DEPARTMENT OF JUSTICE | | | | | |
| Office on Violence Against Women Formula Grant | 1/1/2015 1/1/2016 | 16.588 16.588 | ST-WSG-15-010115-08 ST-WSG-15-010115-08Y2 | \$ 32,356 19,193 | |
| | | | | 51,549 | - |
| Office of Justice Programs Bulletproof Vest Partnership Program - Direct Program | 7/28/2014, 8/11/2015 | 16.607 | N/A | 5,111 | |
| Missing Alzheimer's Disease Patient Assistance Program | 10/17/2013 | 16.015 | 2012-SJ-BX-K002 | 22,066 | |
| Crime Victim Assistance Passed through the Arizona Department of Public Safety Victims of Crime Act (VOCA) | 12/16/2015 | 16.575 | 2015-VA-GX-0032 | 36,773 | |
| Justice Assistance Grant Cluster- Edward Byrne Memorial Justice Assistance Grant - Direct Program | 7/17/2014 | 16.738 | 2014-DJ-BX-0034 | 12,346 | |
| Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories Passed Through the Arizona Criminal Justice Commission and Yavapai County | 6/4/2015 | 16.738 | AL-150-10 | 98,652 | |
| Subtotal | | | | <u>110,998</u> | - |
| Total for the U.S. Dept. of Justice | | | | <u>\$ 226,497</u> | <u>\$ -</u> |

City of Prescott, Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

| Federal Grantor/Program Title/ Pass-Through Grantor | Grant Award Date | Federal CFDA Number | Pass-Through Grantor's Number | Fiscal Year 2016 Expenditures | Passed Through to Sub-Recipients |
|--|------------------------|---------------------------|-------------------------------------|-------------------------------------|--|
| U.S. DEPARTMENT OF TRANSPORTATION | | | | | |
| Airport Improvement Program | | | | | |
| AARF Truck - Acquire Aircraft Rescue & Fire Fighting Vehicle | 5/19/2015 | 20.106 | 3-04-0030-036-2015 | \$ 21,246 | |
| Install Taxiway Lighting, Install Emergency Generator | 5/26/2015 | 20.106 | 3-04-0030-035-2015 | 3,059,568 | |
| | | | | <u>3,080,814</u> | - |
| Highway Planning and Construction | | | | | |
| Systematic Improvement of Crash Data-TraCS | 3/2/2015 | 20.205 | 999-M(144)S | 28,709 | |
| State and Community Highway Safety Passed Through the Arizona Governor's Office of Highway Safety | | | | | |
| STEP Enforcement | 9/18/2014 | 20.600 | 2015-PT-032 | \$ 3,283 | |
| STEP Enforcement | 10/23/2015 | 20.600 | 2016-PT-030 | 7,291 | |
| STEP Enforcement (Buckle Up) | 4/28/2015 | 20.600 | 2016-CIOT-013 | 2,137 | |
| DUI Enforcement | 9/18/2014 | 20.600 | 2015-405d-017 | 6,695 | |
| DUI Enforcement | 10/23/2015 | 20.600 | 2016-AL-032 | 20,494 | |
| Subtotal | | | | <u>39,900</u> | - |
| Total for U.S. Department of Transportation | | | | <u>\$ 3,149,423</u> | <u>\$ -</u> |
| ENVIRONMENTAL PROTECTION AGENCY | | | | | |
| Capitalization Grants for Clean Water State Revolving Funds Passed Through the Water Infrastructure Finance Authority of Arizona | | | | | |
| | 6/10/2011 | 66.458 | N/A | \$ 58,277 | |
| Nonpoint Source Implementation Grants - Water Quality Improvement passed through Arizona Department of Environmental Quality | | | | | |
| | 6/23/2015 | 66.460 | EV15-0004 | 118,860 | |
| Total for the Environmental Protection Agency | | | | <u>\$ 177,137</u> | <u>\$ -</u> |
| U.S. DEPARTMENT OF HOMELAND SECURITY | | | | | |
| Assistance to Firefighters Grant Through the Federal Emergency Management Agency | | | | | |
| | 5/19/2015 | 97.044 | EMW-2014-FO-06517 | \$ 448,469 | |
| Cooperating Technical Partners Passed Through the Federal Emergency Management Agency | | | | | |
| | 9/26/2014 | 97.045 | EMF-2010-GR-1019 | 24,795 | |
| Homeland Security Grant Program Passed Through the Federal Emergency Management Agency | | | | | |
| Airbag Set & Stabilization Strut Systems | 9/12/2014 | 97.067 | 14-AZDOHS-HSGP-140514-01 | 9,957 | |
| Confined Space Entry Equipment | 9/12/2014 | 97.067 | 14-AZDOHS-HSGP-140514-02 | 22,616 | |
| SWAT Equipment - CBRN Masks & Surveillance Equipment | 1/5/2016 | 97.067 | 15-AZDOHS-HSGP-150513-01 | 8,911 | |
| Subtotal | | | | <u>41,484</u> | - |
| Total for the U.S. Department of Homeland Security | | | | <u>\$ 514,749</u> | <u>\$ -</u> |
| TOTAL FEDERAL ASSISTANCE | | | | <u>\$ 4,257,044</u> | <u>\$ 134,935</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 modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of Uniform Guidance, 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.

At this time, the City does not have a negotiated indirect cost allocation plan, nor does it elect to use the 10-percent de minimis indirect cost rate as allowed by the Uniform Guidance. The City's summary of significant accounting policies is presented in Note 1 in the County's basic financial statements.

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 Uniform Guidance 2 CFR 200.516 | No |

Identification of major programs:

| <u>Name of Federal Program</u> | <u>CFDA Number</u> |
|--|--------------------|
| AARF Truck - Acquire Aircraft Rescue & Fire Fighting Vehicle | 20.106 |
| Install taxiway Lighting, Install Emergency Generator | 20.106 |

| | |
|---|------------|
| Dollar threshold used to distinguish between Type A and Type B programs | \$ 750,000 |
| 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.