

CITY OF PRESCOTT, ARIZONA
SINGLE AUDIT ACT REPORT
FISCAL YEAR ENDED JUNE 30, 2020

CITY OF PRESCOTT, ARIZONA

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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***

The Honorable Mayor and
City Council
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, Arizona, as of and for the year ended June 30, 2020, 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 12, 2020.

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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.



HintonBurdick, PLLC
Gilbert, Arizona
November 12, 2020



HINTONBURDICK
CPAs & ADVISORS

**Independent Auditors' Report on Compliance for
Each Major Program and on Internal Control Over
Compliance Required by the Uniform Guidance**

Honorable Mayor & City Council
City of Prescott
Prescott, Arizona

Report on Compliance for Each Major Program

We have audited the City of Prescott, Arizona's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the City of Prescott, Arizona's major federal programs for the year ended June 30, 2020. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's 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 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'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 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 fiscal year ended June 30, 2020.

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 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'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.

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, each major fund, and the aggregate remaining fund information of the City of Prescott, Arizona, as of and for the year ended June 30, 2020, and have issued our report thereon dated November 12, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

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.



HintonBurdick, PLLC
Gilbert, Arizona
November 12, 2020

CITY OF PRESCOTT, ARIZONA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? yes no
- Significant deficiency (ies) identified that are not considered to be material weaknesses? 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 material weaknesses? yes 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 2 CFR 200.516(a)? yes no

Identification of major programs.

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund
66.468	Drinking Water State Revolving Fund Cluster

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

Auditee qualified as low-risk auditee? yes no

CITY OF PRESCOTT, ARIZONA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section II - Financial Statement Findings

Current Year Findings and Recommendations:

Material Weaknesses:

None noted

Significant Deficiencies:

None noted

Prior Year Findings and Recommendations, Reworded (if necessary) and Reissued:

Material Weaknesses

None noted

Significant Deficiencies:

None noted

Section III - Federal Award Findings and Questioned Costs

No significant matters were noted.

CITY OF PRESCOTT, ARIZONA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
Cooperative Forestry Assistance Program State Fire Assistance				
Passed through the Arizona Office of the State Forester Mountain Club	10.697	WFHF 18-205 18DG-11031600-061	\$ -	\$ 66,291
Passed through the Arizona Office of the State Forester Senator Highway	10.664	WFHF 14-209 14DG-11031600-075	-	25,300
Forest Service Schools and Roads Cluster Passed through the Arizona State Schools & Roads and Yavapai County Board of Supervisors Title III Forest Project Funding	10.665	PL 106-393 (FF1515)	-	31,305
Total U.S. Department of Agriculture			<u>-</u>	<u>122,896</u>
U.S. Department of Housing and Urban Development				
CDBG - Entitlement Grants Cluster				
Administration-Direct Program	14.218		35,786	35,786
Habitat for Humanity-Direct Program	14.218		18,235	18,235
WYGC-Direct Program	14.218		22,327	22,327
NACOG	14.218		7,000	7,000
Launch Pad Outdoor Learning Center	14.218		34,981	34,981
U.S. Vets-Elevator	14.218		39,816	39,816
U.S. Vets-Outreach	14.218		10,000	10,000
U.S. Vets-Whipple Bathrooms	14.218		167,795	167,795
People Who Care -Direct Program	14.218		12,500	12,500
Boys and Girls Clubs	14.218		44,999	44,999
Women's Shelter-Direct Program	14.218		25,000	25,000
Total U.S. Department of Housing and Urban Development			<u>418,439</u>	<u>418,439</u>
U.S. Department of Justice				
Passed through the State of Arizona Governor's Office of Youth, Faith and Family				
Office on Violence Against Women	16.588	ST-SART-18-010118-03Y3	-	38,060
Office on Violence Against Women	16.588	ST-SART-18-010118-03Y2	-	37,476
Total Violence Against Women			<u>-</u>	<u>75,536</u>
Office of Justice Programs Bulletproof Vest Partnership Program - Direct Program				
Coronavirus Emergency Supplemental Funding Program	16.607		-	7,278
Coronavirus Emergency Supplemental Funding Program	16.034		-	26,795
Passed through the Arizona Department of Public Safety Victim of Crimes Act				
Edward Byrne Memorial Justice Assistance Grant - Direct Program	16.575	2016-VA-GX-0046	-	135,841
Edward Byrne Memorial Justice Assistance Grant - Direct Program	16.738		-	19,863
Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories Passed Through the Arizona Criminal Justice Commission and Yavapai County				
Total Edward Byrne Memorial Justice Assistance Grant	16.738	DC-17-011	-	58,385
Total U.S. Department of Justice			<u>-</u>	<u>78,248</u>
			<u>-</u>	<u>323,698</u>

(continued)

CITY OF PRESCOTT, ARIZONA
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2020

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Transportation				
Federal Aviation Administration:				
Airport Improvement Program				
Airport Master Plan	20.106		-	38,000
Reconstruct Taxiway, -Design Only	20.106		-	651,393
Terminal Catex	20.106		-	4,611,247
CARES Act	20.106		-	883,453
Total Airport Improvement Program			-	<u>6,184,093</u>
Federal Highway Administration				
Highway Safety Cluster				
Passed through the Arizona Governor's Office of Highway Safety				
State and Community Highway Safety				
Unmarked Police Package Vehicle	20.616	2019-405D-060	-	20,700
STEP Enforcement	20.600	2020-PTS-048	-	12,870
STEP Enforcement	20.600	2019-PTS-041	-	17,050
DUI Enforcement	20.600	2020-405D-035	-	18,154
DUI Enforcement	20.600	2019-405D-034	-	4,190
Total State and Community Highway Safety			-	<u>72,964</u>
Total U.S. Department of Transportation			-	<u>6,257,057</u>
U.S. Department of Treasury				
Passed through the State of Arizona Office of the Governor				
AZ CARES Fund Program				
Coronavirus Aid, Relief and Economic Security	21.019	ERMT-20-073	-	5,085,816
Total U.S. Department of the Treasury			-	<u>5,085,816</u>
Institute of Museum and Library Services				
Promotion of the Humanities				
Arizona Humanities - Voices and Votes Host Site	45.129		-	2,000
Grants to States				
Arizona State Library, Archives, and Public Records	45.310		-	4,000
Arizona State Library, Archives, and Public Records	45.310		-	15,000
Total Grants to States			-	<u>19,000</u>
Total Institute of Museum and Library Services			-	<u>21,000</u>
Environmental Protection Agency				
Clean Water State Revolving Fund Cluster				
Capitalization Grants for Clean Water State Revolving Funds				
Passed through the Water Infrastructure Finance Authority of Arizona	66.458	CW-910170-18	-	7,766,754
Drinking Water State Revolving Fund Cluster				
Capitalization Grants for Drinking Water State Revolving Funds				
Passed through the Water Infrastructure Finance Authority of Arizona	66.468	DW-920297-20	-	1,315,298
Total Environmental Protection Agency			-	<u>9,082,052</u>
U.S. Department of Homeland Security				
Homeland Security Grant Program Passed Through the Arizona				
Department of Homeland Security				
Mobile Crash Barriers and portable bollards (2)	97.067	19-AZDOHS-HSGP-190512-01	-	65,000
Threat Liaison Officer (TLO) Equipment	97.067	17-AZDOHS-HSGP-170512-02	-	3,740
Protective Body Armor for Fire/EMS Personnel				
Responding to Incidents Involving Acts of Terrorism	97.067	18-AZDOHS-HSGP-180508-02	-	3,213
Protective Body Armor for Fire/EMS Personnel				
Responding to Incidents Involving Acts of Terrorism	97.067	17-AZDOHS-HSGP-170513-04	-	2,727
Total U.S. Department of Homeland Security			-	<u>74,680</u>
Total			\$ 418,439	<u>\$ 21,385,638</u>

CITY OF PRESCOTT, ARIZONA
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Reporting Entity:

The accompanying schedule of expenditures of federal awards presents the activity or expenditure of all federal awards programs of the City of Prescott, Arizona for the year ended June 30, 2020. The City's reporting entity is defined in Note 1 of the basic financial statements. All expenditure of federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the schedule.

Basis of Accounting:

This accompanying schedule of expenditures of federal awards has been prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Indirect Cost Rate:

The City did not elect to use the 10% de Minimis indirect cost rate for fiscal year 2020. There were no indirect cost allocations made to any of the federal grants as listed in the accompanying schedule of expenditures of federal awards.

Federal Loans Outstanding:

There are no outstanding balances for federal loan or loan guarantee programs with continuing compliance requirements at June 30, 2020.