

CITY OF PRESCOTT, ARIZONA
SINGLE AUDIT ACT REPORT
FISCAL YEAR ENDED JUNE 30, 2022

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, 2021, 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 14, 2022.

Report on 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.

Report on 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

HintonBurdick, PLLC

Gilbert, Arizona

November 14, 2022



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

Opinion on Each Major Federal 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, 2022. 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.

In our opinion, the City of Prescott, Arizona 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Prescott, Arizona and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Prescott, Arizona's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Prescott, Arizona's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Prescott, Arizona's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Prescott, Arizona's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Prescott, Arizona's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Prescott, Arizona's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 City of Prescott, Arizona's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However,

material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, each major fund, and the aggregate remaining fund information of the City of Prescott, Arizona, as of and for the year ended June 30, 2022, and have issued our report thereon dated November 14, 2022, 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

HintonBurdick, PLLC

Gilbert, Arizona

November 14, 2022

CITY OF PRESCOTT, ARIZONA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

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 X no
- Significant deficiency (ies) identified that are not considered to be material weaknesses? _____ 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 material weaknesses? _____ yes X 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 X no

Identification of major programs.

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program and COVID -19 Airport Programs
21.027	Coronavirus – State and Local Fiscal Recovery Funds
14.218	Community Development Block Grants/Entitlement Grants

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
For the Year Ended June 30, 2022

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
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

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 Joint Chiefs Grant Program	10.664	JC 19-901 / 19DG11031600-061	\$ -	\$ 5,411
Passed through the Arizona State Schools & Roads Title III Forest Project Funding	10.665	PL 106-393 (FF1515)	-	10,545
Passed through the Arizona Office of the State Forester Camp Pine Rock	10.697	WFHF 18-205 WFHF 20-203 / 20DG11030000-010	-	77,842
Foothills	10.697	WFHF 19-206 / 19DG-11031600-053	-	67,823
Natural Resources Conservation Service-CCFWR Community Compost and Food Waste Reduction pilot project	10.935	NR203A750001C018	-	25,407
Total for U.S. Department of Agriculture			-	187,028
U.S. Department of Housing and Urban Development				
CDBG - Entitlement Grants Cluster Administration - Direct Program	14.218	B-20-MC-04-0512	21,615	21,615
Administration - Direct Program	14.218	B-21-MC-04-0512	48,267	48,267
Administration - Direct Program	14.218	B-14-MC-04-0512	2,105	2,105
Agape House of Prescott	14.218	B-20-MC-04-0512	13,482	13,482
Agape House of Prescott	14.218	B-21-MC-04-0512	24,434	24,434
Boys and Girls Club	14.218	B-20-MC-04-0512	35,301	35,301
Boys and Girls Club	14.218	B-21-MC-04-0512	35,000	35,000
Prescott Adult Center	14.218	B-19-MC-04-0512	11,207	11,207
Launch Pad Internal Improvements	14.218	B-20-MC-04-0512	45,373	45,373
Launch Pad Interior Renovation	14.218	B-21-MC-04-0512	54,365	54,365
Yavapai Big Brothers Big Sisters	14.218	B-20-MC-04-0512	10,000	10,000
CV Prescott Cares - COVID 19	14.218	B-20-MW-04-0512	76,875	76,875
People Who Care - Direct Program	14.218	B-20-MC-04-0512	3,535	3,535
People Who Care - Direct Program	14.218	B-21-MC-04-0512	12,150	12,150
New Horizon's Disability Empowerment - Direct Program	14.218	B-20-MC-04-0512	9,745	9,745
New Horizon's Disability Empowerment - Direct Program	14.218	B-21-MC-04-0512	3,735	3,735
Prescott Area Shelter Services - Direct Program	14.218	B-20-MC-04-0512	434	434
Prescott Area Shelter Services - Direct Program	14.218	B-21-MC-04-0512	5,631	5,631
Arizona Serve of Prescott College	14.218	B-21-MC-04-0512	8,000	8,000
Total U.S. Department of Housing and Urban Development			421,254	421,254
U.S. Department of the Interior				
Historic Preservation Fund Grants-In-Aid Passed through the State Historic Preservation Office Historical Preservation - Master Plan	15.904	P21AF11004	1,400	1,400
Total U.S. Department of the Interior			1,400	1,400
U.S. Department of Justice				
Passed through the Arizona Department of Public Safety Victims of Crime Act (VOCA)	16.575	2018-V2-GX-0012-Year 2	-	98,549
Victims of Crime Act (VOCA)	16.575	2018-V2-GX-0012-Year 1	-	30,721
Subtotal			-	129,270
Passed through the State of Arizona, Governor's Office of of Youth, Faith and Family Office on Violence Against Women	16.588	ST-WSG-20-010121-08Y1	-	68,945
Office on Violence Against Women	16.588	ST-WSG-20-010121-08Y2	-	97,869
Subtotal			-	166,814
Office of Justice Programs Bulletproof Vest Partnership Program - Direct Program	16.607	BVP-015	-	23,682
Justice Assistance Grant Cluster- Edward Byrne Memorial Justice Assistance Grant - Direct Program	16.738	2019-DJ-BX-0401	-	18,042
Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories Passed Through the Arizona Criminal Justice Commission and Yavapai County	16.738	DC-21-011	-	50,425
Subtotal			-	68,467
Total U.S. Department of Justice			-	388,233

(continued)

CITY OF PRESCOTT, ARIZONA
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

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				
Wildlife Hazard Assessment	20.106	3-04-0030-048-2021	-	58,197
Reconstruct Taxiway - Construction	20.106	3-04-0030-044-2020	-	261,141
Reconstruct Taxiway - Construction	20.106	3-04-0030-046-2021	-	5,116,679
Subtotal			-	5,436,017
U.S. Department of Transportation (continued)				
Federal Highway Administration				
Highway Safety Cluster				
Passed through the Arizona Governor's Office of Highway Safety				
State and Community Highway Safety				
STEP Enforcement	20.600	2022-PTS-052	-	11,753
STEP Enforcement	20.600	2021-PTS-053	-	2,579
Buckle Up Arizona Enforcement Campaign	20.616	2022-CIOT-022	-	2,905
DUI Enforcement	20.600	2022-405D-040	-	18,449
DUI Enforcement	20.600	2021-405D-035	-	4,921
Subtotal			-	40,607
Total U.S. Department of Transportation				5,476,624
U.S. Department of Treasury				
Coronavirus State and Local Fiscal Recovery Funds	21.027	SLT-4494	-	5,920,074
Total U.S. Department of Treasury				5,920,074
Institute of Museum and Library Services				
Grants to States				
Arizona State Library, Archives, and Public Records				
ARPA Allotment - COVID 19	45.310	2021-ARPA-46	-	18,094
Podcast Connections	45.310	2021-0810-MovFor-05	-	3,796
Crafts to Go Kits	45.310	2021-0810-MovFor-04	-	2,544
WiFi Hotspot Lending	45.310	2021-0340-WiFiH-12	-	1,000
WiFi Hotspots at Prescott Public Library	45.310	2022-0340-W9	-	3240
Here to Help-Meeting Social Service Needs	45.310	2022-0170-05	-	189
Total Institute of Museum and Library Services				28,863
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	-	1,047,614
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	-	2,456,378
Total Environmental Protection Agency				3,503,992
U.S. Department of Homeland Security				
Cooperating Technical Partners Grant Floodplain Mapping Passed				
Through the Federal Emergency Management Agency				
	97.045	EMF-2020-CA-00012-S01	-	148,132
Homeland Security Grant Program Passed Through the Arizona				
Department of Homeland Security				
UAS Enhancement and Information Sharing	97.067	21-AZDOHS-HSGP-210509-02	-	24,819
Threat Liaison Officer (TLO) Equipment & Training	97.067	21-AZDOHS-HSGP-210509-01	-	4,220
Subtotal			-	29,039
Total U.S. Department of Homeland Security				177,171
Total			\$ 422,654	\$ 16,104,639

CITY OF PRESCOTT, ARIZONA
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

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, 2022. 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 2021. 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, 2022.