

# 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, 2008

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City of Prescott  
Arizona

# Single Audit Schedule of Expenditures of Federal Awards

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## Table of Contents

Report On Internal Control Over Financial Reporting and on Compliance and Other Matters Based an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i> .....	1
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.....	3
Schedule of Findings and Questioned Costs .....	6
Summary Schedule of Prior Audit Findings .....	8
Schedule of Expenditures of Federal Awards .....	9
Notes to the Schedule of Expenditures of Federal Awards.....	12

City of Prescott  
Arizona



HEINFELD, MEECH & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

3033 N. Central Avenue, Suite 300  
Phoenix, Arizona 85012  
Tel (602) 277-9449  
Fax (602) 277-9297

**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**

Honorable Mayor and Members of the City Council  
City of Prescott, Arizona

We have audited the financial statements of the governmental activities, each major *fund*, and the aggregate remaining fund information of City of Prescott, Arizona as of and for the year ended June 30, 2008, which collectively comprise City of Prescott, Arizona's basic financial statements and have issued our report thereon dated November 1, 2008. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Prescott, Arizona's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Prescott, Arizona's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Prescott, Arizona's financial statements are free of 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*.

We noted certain matters that we reported to management of City of Prescott, Arizona in a separate letter dated November 1, 2008.

This report is intended solely for the information and use of management, the Honorable Mayor and Members of the City Council, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Heinfeld, Meech & Co., P.C.*

HEINFELD, MEECH & CO., P.C.  
Certified Public Accountants

November 1, 2008



**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and Members of the City Council  
City of Prescott, Arizona

Compliance

We have audited the compliance of City of Prescott, Arizona with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. City of Prescott, Arizona's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of City of Prescott, Arizona's management. Our responsibility is to express an opinion on City of Prescott, Arizona's compliance based on our audit.

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 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. Our audit does not provide a legal determination of City of Prescott, Arizona's compliance with those requirements.

In our opinion, City of Prescott, Arizona complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

### Internal Control Over Compliance

The management of City of Prescott, Arizona is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Prescott, Arizona's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Prescott, Arizona as of and for the year ended June 30, 2008, and have issued our report thereon dated November 1, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise City of Prescott, Arizona's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Honorable Mayor and Members of the City Council, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Heinfeld, Meech & Co., P.C.*

HEINFELD, MEECH & CO., P.C.  
Certified Public Accountants

November 1, 2008

**CITY OF PRESCOTT, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued: Unqualified

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 major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?       yes   X  no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction
20.205	Rails to Trails

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?   X  yes       no

**CITY OF PRESCOTT, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

We noted no significant deficiencies, material weaknesses or instances of noncompliance related to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards*.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

We noted no significant deficiencies, material weaknesses or instances of noncompliance related to the audit of major federal programs as required to be reported by OMB Circular A-133.

**CITY OF PRESCOTT, ARIZONA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2008**

**Status of Federal Award Findings and Questioned Costs**

The City had no findings or questioned costs related to federal awards noted in prior audits that require a status.

CITY OF PRESCOTT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Fiscal Year Ended June 30, 2008

<i>Federal Grantor/Program Title/ Pass-Through Grantor</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Grantor's Number</i>	<i>Program or Award Amount</i>	<i>Fiscal Year 2008 Expenditures</i>
<b>U.S. DEPARTMENT OF JUSTICE</b>				
Bureau of Justice Assistance FY 2007 Justice Assistance Grant - Direct Program	16.738	N/A	\$ 15,033	\$ 14,904
Office of Community Oriented Policing Services 2002 Equipment Grants - Direct Program	16.710	N/A	178,250	30,210
Office of Justice Programs Bulletproof Vest Partnership Program - Direct Program	16.607	N/A	<u>11,826</u>	<u>8,525</u>
<b>Total for the U.S. Dept. of Justice - Direct Programs</b>			<u>\$ 205,109</u>	<u>\$ 53,639</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION FEDERAL AVIATION ADMINISTRATION</b>				
Federal Aviation Administration Airport Airport Masterplan Update Grant 25-2006 - Direct Program	20.106	N/A	<u>\$ 183,580</u>	<u>\$ 105,843</u>
<b>Total for the U.S. Dept. of Transportation - Direct Programs</b>			<u>\$ 183,580</u>	<u>\$ 105,843</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
Community Development Block Grant - Administration - Direct Program	14.218	N/A	\$ 59,000	\$ 53,101
Community Development Block Grant - Dexter Sidewalks - Direct Program	14.218	N/A	<u>240,000</u>	<u>108,711</u>
			<u>299,000</u>	<u>161,812</u>
Community Development Block Grant - Administration Passed Through Arizona Department of Housing	14.228	140-05	\$ 46,267	\$ 620
<b>Total for the U.S. Dept of Housing &amp; Urban Development</b>			<u>\$ 345,267</u>	<u>\$ 162,432</u>
<b>U.S. DEPARTMENT OF THE INTERIOR BUREAU OF RECLAMATION</b>				
Water Conservation Education and Training - Direct Program	15.530	N/A	<u>\$ 45,800</u>	<u>\$ 4,633</u>
<b>Total for the U.S. Dept of the Interior - Direct Programs</b>			<u>\$ 45,800</u>	<u>\$ 4,633</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Forest Service Cooperative Forestry Program State Fire Assistance SFA 3001 Passed Through the Arizona State Land Department and the Prescott Wildland Urban Interface Commission	10.664	SFA 5-2	\$ 200,000	\$ 202,375
Forest Service Cooperative Forestry Program Elks Historical Preservation	10.672	208HP143 644551	<u>16,000</u>	<u>15,189</u>
<b>Total for the U.S. Department of Agriculture</b>			<u>\$ 216,000</u>	<u>\$ 217,564</u>

CITY OF PRESCOTT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Fiscal Year Ended June 30, 2008  
(continued)

<i>Federal Grantor/Program Title/ Pass-Through Grantor</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Grantor's Number</i>	<i>Program or Award Amount</i>	<i>Fiscal Year 2008 Expenditures</i>
<b>U.S. DEPARTMENT OF JUSTICE</b>				
Narcotics Control Assistance Statewide Enhanced Drug Enforcement Program Passed Through the Arizona Criminal Justice Commission	16.579	AL-150-08	\$ 19,088	\$ 19,088
<b>Total for the U.S. Department of Justice</b>			<u>\$ 19,088</u>	<u>\$ 19,088</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
Federal Highway Administration DUI Enforcement Program Passed Through the Arizona Governor's Office of Highway Safety	20.600	2007-K8HV-020	\$ 60,000	\$ 13,387
	20.601	2007-K8-036	690	648
	20.600	2007-PT-020	41,500	20,282
	20.600	2007-410-015	60,000	28,101
			<u>162,190</u>	<u>62,418</u>
Federal Highway Administration Concentrated Occupant Protection Enforcement Program Passed Through the Arizona Governor's Office of Highway Safety	20.600	2007-OP-012	\$ 5,000	\$ 3,399
			<u>167,190</u>	<u>65,817</u>
Federal Highway Administration Rails to Trails Program Passed Through the Arizona Department of Transportation Highway Division	20.205	STP-PRS-0(4)P	\$ 398,000	\$ 227,562
Federal Highway Administration Highway Planning and Construction Passed through the Arizona Department of Transportation Highway Division				
FHWA Planning and Research Funds	20.205	PL 2006	\$ 111,377	\$ 110,568
FHWA Planning and Research Funds	20.205	PL 2007	114,339	113,791
Corridor Study	20.205	SPR	125,000	153,988
Transit Study/Implementation	20.205	5307 Transit Funds	-	21,904
			<u>\$ 350,716</u>	<u>\$ 400,251</u>
<b>Total for the U.S. Department of Transportation</b>			<u>\$ 915,906</u>	<u>\$ 693,630</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
Domestic Preparedness Equipment Support Program Passed Through Yavapai County Emergency Management	97.067	2005-GE-T5-0030	\$ 2,964	\$ 2,964
	97.067	333508-03	17,022	13,546
	97.067	333508-02	7,000	-
	97.067	333508-01	45,000	45,000
			<u>\$ 71,986</u>	<u>\$ 61,510</u>
Presidentially declared disasters 1581 & 1586 flooding. Response Passed Through the Arizona Department of Emergency and Military Affairs	97.036	DR-AZ-025-57380	\$ 252,933	\$ 252,933
Law Enforcement Terrorism Prevention Program Passed through the State of Arizona Division of Emergency Management	97.004	2005-GE-T5-030	\$ 159,969	\$ 15,420
	97.004	2006-GE-T6-0007	143,966	100,896
			<u>303,935</u>	<u>116,316</u>
<b>Total for the U.S. Department of Homeland Security</b>			<u>\$ 628,854</u>	<u>\$ 430,759</u>

(continued)

CITY OF PRESCOTT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Fiscal Year Ended June 30, 2008  
 (continued)

<i>Federal Grantor/Program Title/ Pass-Through Grantor</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Grantor's Number</i>	<i>Program or Award Amount</i>	<i>Fiscal Year 2008 Expenditures</i>
<b>OFFICE OF LIBRARY SERVICES</b>				
National Parks Service Historic Preservation Program passed through Arizona State Parks	15.904	440006-17	5,400	2,133
<b>Total for the Office of Library Services</b>			<u>\$ 5,400</u>	<u>\$ 2,133</u>
<b>TOTAL FEDERAL ASSISTANCE</b>			<u>\$ 2,565,004</u>	<u>\$ 1,689,721</u>

City of Prescott, Arizona  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2008

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 - Subrecipients

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the City of Prescott, Arizona provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Federal Highway Administration DUI Enforcement Program	20.600	\$ 27,801

Note 3 - Catalog of Federal Domestic Assistance (CFDA) Numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the *2008 Catalog of Federal Domestic Assistance*.