

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, 2012

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

**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 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 (the City), Arizona as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 23, 2012. 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

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

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 deficiencies, 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.

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The Honorable Mayor and Council
City of Prescott
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

This report is intended solely for the information and use of management, 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.

Henry + Horne LLP

Casa Grande, Arizona
November 23, 2012



HENRY & HORNE, LLP
 Certified Public Accountants

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable Mayor and Council
 City of Prescott, Arizona

Compliance

We have audited the City of Prescott (the City), Arizona's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Prescott's major federal programs for the year ended June 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City'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 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. Our audit does not provide a legal determination of the City's compliance with those requirements.

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 each of its major federal programs for the year ended June 30, 2012.

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The Honorable Mayor and Council
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Internal Control Over Compliance

Management of the 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 the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, 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, the business-type activities, each major fund, and the aggregate remaining fund information of City of Prescott as of and for the year ended June 30, 2012, which collectively comprise the City of Prescott's basic financial statements, and have issued our report thereon dated November 23, 2012, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Prescott'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 Honorable Mayor and Council
City of Prescott, Arizona
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This report is intended solely for the information and use of management, 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.

Henry & Horne LLP

Casa Grande, Arizona
November 23, 2012

CITY OF PRESCOTT, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012

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 listed below. 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:

CFDA Numbers	Name of Federal Program or Cluster
10.664	Cooperative Forestry Assistance Program Grants
20.106	Airport Improvement Grants
84.397	ARRA – Public Safety Stabilization

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

Auditee qualified as low-risk auditee? yes X no

CITY OF PRESCOTT, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012

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, 2012

<i>Federal Grantor/Program Title/ Pass-Through Grantor</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Grantor's Number</i>	<i>Fiscal Year 2012 Expenditures</i>
U.S. DEPARTMENT OF JUSTICE			
Narcotics Control Assistance Statewide Enhanced Drug Enforcement Program Passed Through the Arizona Criminal Justice Commission and the City of Sedona	16.579	AL-150-10	\$ 45,996
Office of Justice Programs Bulletproof Vest Partnership Program - Direct Program	16.607	N/A	9,038
Recovery Act - C.O.P.S Hiring Recovery Program Direct Program	16.710	N/A	84,203
Edward Byrne Memorial Justice Assistance Grant - Direct Program	16.738	N/A	13,555
Total for the U.S. Dept. of Justice			\$ 152,792
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	\$ 18,818
Improve RW 3R-21L Safety Area Phase 1 - Direct Program	20.106	3-04-0030-032-2011	2,250,829
Wildlife Hazard Study Grant 030-2009 - Direct Program	20.106	3-04-0030-30-2009	2,694
			\$ 2,272,341
Federal Highway Administration Highway Planning and Construction- Passed through the Arizona Department of Transportation Highway Division FHWA Planning and Research Funds	20.205	SPR 2010	\$ 105,917
FHWA Planning and Research Funds	20.205	PL 2012	128,239
			\$ 234,156
Federal Highway Administration Highway Planning and Construction- Passed through the Arizona Department of Transportation Highway Division Transit Study/Implementation	20.505	5303 Transit Funds	\$ 38,382
Federal Highway Administration-AZ Governor's Office of Highway Safty STEP Enforcement	20.600	2012-PT-045	\$ 20,983
STEP Enforcement	20.600	2012-PT-046	4,167
STEP Enforcement	20.600	2011-PT-056	4,525
Occupant Protection Enforcement Program	20.600	2012-OP-032	2,861
DUI Enforcement	20.600	2012-AL-043	11,805
DUI Enforcement	20.600	2011-AL-064	6,592
Tri City DUI Enforcement	20.601	2011-410-018	2,213
			\$ 53,146
Total for U.S. Department of Transportation			\$ 2,598,025

(continued)

* Indicates a Major Program

See Accompanying Notes

CITY OF PRESCOTT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2012
 (continued)

Federal Grantor/Program Title/ Pass-Through Grantor	Federal CFDA Number	Pass-Through Grantor's Number	Fiscal Year 2012 Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Community Development Block Grant - Administration - Direct Program	14.218	N/A	\$ 53,048
WYGC Renovations - Direct Program	14.218	N/A	101,480
ARRA - Meals on Wheels - Direct Program	14.218	N/A	15,000
Women's Shelter - Direct Program	14.218	N/A	15,579
Women's Education & Employment - Direct Program	14.218	N/A	15,000
Total for the U.S. Dept of Housing & Urban Development			\$ 200,107
U.S. DEPARTMENT OF HOMELAND SECURITY			
Technical Rescue Equipment Grant	97.067	10-AZDOHS-HSGP-777510-03	\$ 14,461
Confined Space Trailer Grant	97.067	10-AZDOHS-HSGP-777510-04	837
			<u>\$ 15,298</u>
FEMA Cooperating Technical Partners Grant Floodplain Mapping	97.045	EMF-2010-GR-1019	200,629
Transportation Security Administration Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS02909HSLR705	63,072
Total for the U.S. Department of Homeland Security			\$ 278,999
U.S. DEPARTMENT OF AGRICULTURE			
* Cooperative Forestry Assistance Program State Fire Assistance Passed Through the Arizona Office of the State Forester	10.664	WFHF 09-024	\$ 2,098
	10.664	WFHF 11-105	207,313
Passed Through the Arizona State Land Department and Prescott Wildland Urban Interface Commission	10.664	SFA 2008-08-002	151,362
			<u>\$ 360,773</u>
ARRA - Fuels Reduction	10.688	AR-10-204	12,178
Total for the U.S. Department of Agriculture			\$ 372,951
US DEPARTMENT OF COMMERCE			
BTOP/Job Help Hub, passed through the Arizona State Library, Archives & Public Records	11.557	OER-11-ISA-BT-01	\$ 12,393
Total for the US Department of Commerce			\$ 12,393
US DEPARTMENT OF EDUCATION			
* ARRA - Public Safety Stabilization	84.397	N/A	\$ 384,000
Total for the US Department of Education			\$ 384,000
TOTAL FEDERAL ASSISTANCE			\$ 3,999,267

* Indicates a Major Program

See Accompanying Notes

City of Prescott, Arizona
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

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 2012 catalog of Federal Domestic Assistance.