

# **City of Prescott, Arizona**

Report on Federal Awards

June 30, 2023

# City of Prescott, Arizona

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**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***

Independent Auditors' Report

To the Honorable Mayor and Council of  
City of 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 the City of Prescott, Arizona (the City), as of and for the year ended June 30, 2023, 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 19, 2023.

**Report on 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) as a basis for designing 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 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. 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 or significant deficiencies may exist that were not identified.

**Report on 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 financial statements. 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.

*Baker Tilly US, LLP*

Tempe, Arizona  
December 19, 2023

**Report on Compliance  
for Each Major Federal Program;  
Report on Internal Control Over Compliance; and  
Report on the Schedule of Expenditures of  
Federal Awards Required by the Uniform Guidance**

Independent Auditors' Report

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

**Report on Compliance for Each Major Federal 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 identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2023. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2023.

***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; 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City 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'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's federal programs.

## ***Auditors' 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 the City'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 the City'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 the City'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 the City'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 the City'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 Auditors' 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 as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 19, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 basic 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 basic financial statements or to the basic 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 basic financial statements as a whole.

*Baker Tilly US, LLP*

Tempe, Arizona  
December 19, 2023

**City of Prescott, Arizona**

Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2023

Federal Grantor/Program Title/ Pass-Through Grantor	Assistance Listing Number	Pass-through Agency	Pass-Through Grantor's Number	Passed Through to Subrecipients	Fiscal Year 2023 Expenditures
<b>U.S. Department of Agriculture</b>					
Cooperative Forestry Assistance Program State Fire Assistance: Prescott Area Wildland Urban Interface Commission:					
Joint Chiefs Grant Program - Government Canyon	10.664	Arizona Department of Forestry and Fire Management	JC 19-901 / 19DG11031600-061	\$ -	\$ 112,027
Joint Chiefs Grant Program - Government Canyon Turley Trail	10.664	Arizona Department of Forestry and Fire Management	JC 20-901 / 20-DG-11030000-009	-	30,104
Camp Marapai	10.697	Arizona Department of Forestry and Fire Management	NFHF 21-206 / 21DG11030000-016	-	165,236
Total passed through the Arizona Department of Forestry and Fire Management				-	307,367
Forest Service Schools and Roads Cluster:					
Title III Forest Project Funding	10.665	Arizona State Schools & Roads and Yavapai County Board of Supervisors	PL 106-393 (FF1515)	-	4,854
Total U.S. Department of Agriculture				-	312,221
<b>U.S. Department of Housing and Urban Development</b>					
Community Development Block Grants/Entitlement Grants Cluster:					
Administration - Direct Program	14.218	Direct		40,899	40,899
Agape House of Prescott	14.218	Direct		20,215	20,215
Residential Lead Based Paint Testing	14.218	Direct		3,070	3,070
Minor Home Repair	14.218	Direct		39,200	39,200
Matforce - Rental Assistance	14.218	Direct		5,540	5,540
CV Prescott Cares	14.218	Direct		6,527	6,527
People Who Care - Direct Program	14.218	Direct		5,329	5,329
Polara Health	14.218	Direct		7,273	7,273
Community Nature Center - ADA Trail Pavers	14.218	Direct		10,000	10,000
New Horizon's Disability Empowerment - Direct Program	14.218	Direct		5,667	5,667
Arizona Serve of Prescott College	14.218	Direct		6,667	6,667
Total U.S. Department of Housing and Urban Development - Community Development Block Grants/Entitlement Grants Cluster				150,387	150,387

See notes to schedule of expenditures of federal awards



**City of Prescott, Arizona**

Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2023

Federal Grantor/Program Title/ Pass-Through Grantor	Assistance Listing Number	Pass-through Agency	Pass-Through Grantor's Number	Passed Through to Subrecipients	Fiscal Year 2023 Expenditures
<b>U.S. Department of the Interior</b>					
Historical Preservation - Master Plan	15.904	State Historic Preservation Office	P21AF11004	\$ -	\$ 10,600
Update of Prescott Historic Preservation Master Plan	15.904	State Historic Preservation Office	P22-AF01264-00	-	1,430
Total passed through the State Historic Preservation Office				-	12,030
Land and Water Conservation Fund - Granite Creek Corridor Project	15.916	Outdoor Recreation Acquisition, Development and Planning Office	P22-AP02162-00	-	1,003,930 *
Total U.S. Department of the Interior				-	1,015,960
<b>U.S. Department of Justice</b>					
Victims of Crime Act (VOCA)	16.575	Arizona Department of Public Safety	2018-V2-GX-0012-Year 2	-	41,075
Victims of Crime Act (VOCA)	16.575	Arizona Department of Public Safety	2018-V2-GX-0012-Year 3	-	101,819
Total passed through the Arizona Department of Public Safety				-	142,894
Office on Violence Against Women	16.588	State of Arizona, Governor's Office of Youth, Faith and Family	ST-WSG-20-010121-08Y2	-	76,979
Office on Violence Against Women	16.588	State of Arizona, Governor's Office of Youth, Faith and Family	ST-WSG-20-010121-08Y3	-	87,515
Total passed through the State of Arizona, Governor's Office of Youth, Faith and Family				-	164,494
Office of Justice Programs Bulletproof Vest Partnership Program - Direct Program	16.607	Direct	N/A	-	19,859
Justice Assistance Grant Cluster:					
Edward Byrne Memorial Justice Assistance Grant (JAG)	16.738	Arizona Criminal Justice Commission and Yavapai County	DC-21-011	-	58,584
Total U.S. Department of Justice				-	385,830

See notes to schedule of expenditures of federal awards

**City of Prescott, Arizona**

Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2023

Federal Grantor/Program Title/ Pass-Through Grantor	Assistance Listing Number	Pass-through Agency	Pass-Through Grantor's Number	Passed Through to Subrecipients	Fiscal Year 2023 Expenditures
<b>U.S. Department of Transportation</b>					
Airport Wildlife Hazard Assessment/Management Plan	20.106	Federal Aviation Administration	3-04-0030-048-2021	\$ -	\$ 32,191
Taxiway C Phase 3	20.106	Federal Aviation Administration	3-04-0030-053-2022	-	7,102,398
Shift or Reconfigure Existing Taxiway Phase 2	20.106	Federal Aviation Administration	3-04-0030-046-2021	-	153,310
Focused Planning Study	20.106	Federal Aviation Administration	3-04-0030-054-2023	-	310,085
COVID-19 - Airport Coronavirus Response Grant Program - Coronavirus Response and Relief Supplemental Appropriations Act	20.106	Federal Aviation Administration	3-04-0030-049-2021	-	474,493
COVID-19 - Airport Rescue Grant - American Rescue Plan Act	20.106	Federal Aviation Administration	3-04-0030-046-2021	-	373,551
Total passed through the Federal Aviation Administration				-	8,446,029
<b>Highway Safety Cluster:</b>					
STEP Enforcement	20.600	Arizona Governor's Office of Highway Safety	2022-PTS-052	-	9,487
STEP Enforcement	20.600	Arizona Governor's Office of Highway Safety	2023-PTS-050	-	20,346
DUI Enforcement	20.600	Arizona Governor's Office of Highway Safety	2022-405D-040	-	6,535
DUI Enforcement	20.600	Arizona Governor's Office of Highway Safety	2023-405D-035	-	30,469
Buckle Up Arizona Enforcement Campaign	20.616	Arizona Governor's Office of Highway Safety	2023-CIOT-021	-	3,000
Total passed through the Arizona Governor's Office of Highway Safety - Total Highway Safety Cluster				-	69,837
Total U.S. Department of Transportation				-	8,515,867
<b>Institute of Museum and Library Services</b>					
Arizona State Library, Archives, and Public Records - Podcast Connections	45.310	The Institute of Museum and Library Services	2021-0810-MovFor-05	-	204
Arizona State Library, Archives, and Public Records - Staff Development Day	45.310	The Institute of Museum and Library Services	2022-0340-S4	-	4,000
Arizona State Library, Archives, and Public Records - WiFi Hotspots at Prescott Public Library	45.310	The Institute of Museum and Library Services	2022-0340-W9	-	760
Arizona State Library, Archives, and Public Records - Here to Help - Meeting Social Service Needs	45.310	The Institute of Museum and Library Services	2022-0170-05	-	25,066
Total passed through the Institute of Museum and Library Services				-	30,030
<b>Environmental Protection Agency</b>					
<b>Clean Water State Revolving Fund Cluster:</b>					
Capitalization Grants for Clean Water State Revolving Funds	66.458	Water Infrastructure Finance Authority of Arizona	CW-910170-18	-	755,218
<b>Drinking Water State Revolving Fund Cluster:</b>					
Capitalization Grants for Drinking Water State Revolving Funds	66.468	Water Infrastructure Finance Authority of Arizona	DW-920297-20 & 920351-23	-	10,669,180 *
Total passed through the Water Infrastructure Finance Authority of Arizona				-	11,424,398

See notes to schedule of expenditures of federal awards

**City of Prescott, Arizona**

Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2023

Federal Grantor/Program Title/ Pass-Through Grantor	Assistance Listing Number	Pass-through Agency	Pass-Through Grantor's Number	Passed Through to Subrecipients	Fiscal Year 2023 Expenditures
<b>U.S. Department of Education</b>					
Student Support and Academic Enrichment Program - School Resource Officer	84.424A	Office of Safe and Supportive Schools	Title IV-A Fund #161	\$ -	\$ 31,095
Total U.S. Department of Education				-	31,095
<b>U.S. Department of Homeland Security</b>					
Cooperating Technical Partners Grant Floodplain Mapping Enhancement of Multi-Agency sUAS (Small Unmanned Aircraft Systems) Police and Fire Team	97.045	Federal Emergency Management Agency	EMF-2020-CA-00012-S01	-	18,293
Threat Mitigation Capabilities	97.067	Arizona Department of Homeland Security	22-AZDOHS-HSGP-220507-02	-	8,498
Threat Liaison Officer (TLO) Prescott Intelligence Information (PII) Project	97.067	Arizona Department of Homeland Security	19-AZDOHS-HSGP-190512-02	-	1,062
Threat Liaison Officer (TLO) Prescott Intelligence Information (PII) Project	97.067	Arizona Department of Homeland Security	22-AZDOHS-HSGP-220507-01	-	6,974
Threat Liaison Officer (TLO) Equipment & Training	97.067	Arizona Department of Homeland Security	21-AZDOHS-HSGP-210509-01	-	2,580
Total U.S. Department of Homeland Security				-	37,407
Total expenditures of federal awards				<u>\$ 150,387</u>	<u>\$ 21,903,194</u>

\* Denotes major program

See notes to schedule of expenditures of federal awards

# City of Prescott, Arizona

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Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2023

## 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Prescott, Arizona under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the City of Prescott, Arizona, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Prescott, Arizona.

## 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The underlying accounting records for some grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred. The accounting records for other grant programs are maintained on the accrual basis, i.e., when the revenue has been earned and the liability is incurred.

## 3. Indirect Cost Rate

The City of Prescott, Arizona has not elected to use the 10% de minimis indirect cost rate.

## 4. Loan and Loan Guarantee Programs

There are no outstanding balances for federal loan or loan guarantee programs with continuing compliance requirements at June 30, 2023.

# City of Prescott, Arizona

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2023

## Section I - Summary of Auditors' Results

### Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:  
Material weakness(es) identified? \_\_\_\_\_ yes      X   no  
Significant deficiency(ies) identified? \_\_\_\_\_ yes      X   none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes      X   no

### Federal Awards

Internal control over major federal programs:  
Material weakness(es) identified? \_\_\_\_\_ yes      X   no  
Significant deficiency(ies) identified? \_\_\_\_\_ yes      X   none reported

Type of auditor's report issued on compliance for major federal 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 federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
15.916	Outdoor Recreation Acquisition, Development and Planning
66.468	Capitalization Grants for Drinking Water State Revolving Fund

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

Auditee qualified as low-risk auditee?   X   yes    \_\_\_\_\_ no

## Section II - Financial Statement Findings

None.

## Section III - Federal Award Findings and Questioned Costs

None.