

REPORT HIGHLIGHTS
 SINGLE AUDIT

Subject

Coconino County is responsible for preparing financial statements, maintaining strong internal controls, and demonstrating accountability for its use of public monies. As the auditors, our job is to determine whether the County has met its responsibilities.

Our Conclusion

The information in the financial statements is fairly stated in all material respects and the financial statements can be relied on. The County maintained adequate internal controls over financial reporting. For our compliance audit of federal programs, auditors noted internal control weaknesses and four instances of noncompliance for the major programs tested, and two of these were determined to be material internal control weaknesses and material noncompliance.



2005

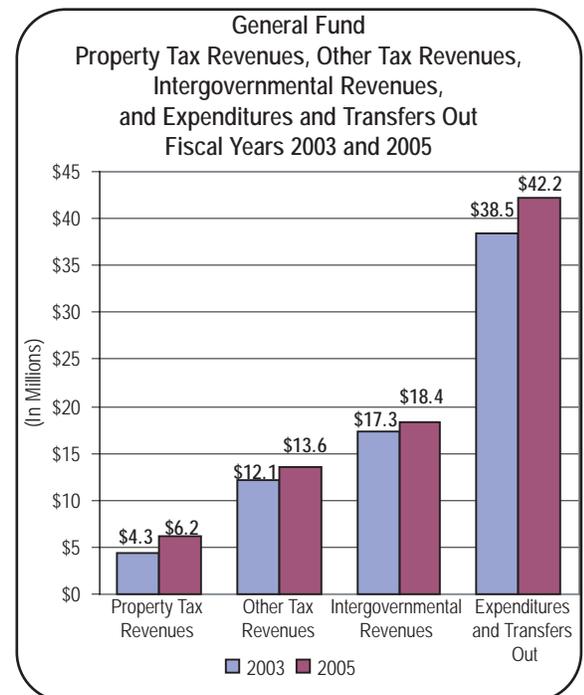
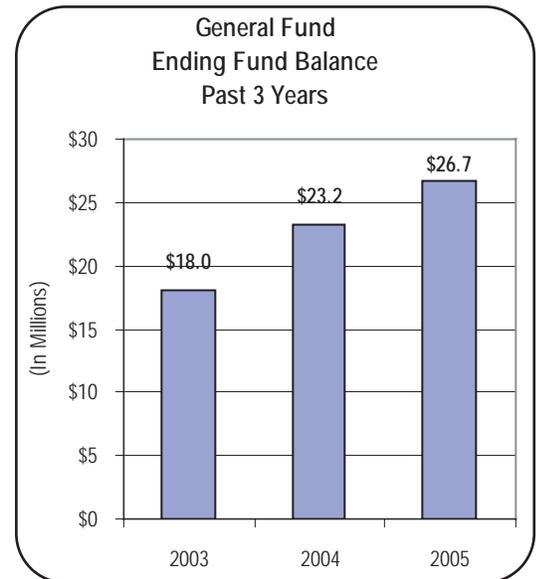
Year Ended June 30, 2005

The General Fund's Fund Balance Continues to Increase

The General Fund's fund balance, as of June 30, 2005, was \$26.7 million, which was an increase of 15.1 percent from fiscal year 2004 and 48.3 percent from fiscal year 2003 before restatements. This increase is illustrated in the figure to the right.

Property taxes, other taxes, and intergovernmental revenues represent more than 80 percent of General Fund revenues from fiscal years 2003 through 2005 and have contributed to the increases in fund balance. Property tax revenues, as reported for fiscal year 2005, increased 44.2 percent from fiscal year 2003. Other taxes, as reported for fiscal year 2005, increased 12.4 percent from fiscal year 2003. Intergovernmental revenues, as reported for fiscal year 2005, increased 6.4 percent from fiscal year 2003. These increases are illustrated in the figure to the right. Therefore, General Fund revenues increased substantially when comparing fiscal years 2005 and 2003. However, General Fund expenditures, including transfers out, as reported for fiscal year 2005, increased 9.6 percent from fiscal year 2003.

These factors were the primary reasons for the significant increase in the General Funds fund balance between fiscal years 2003 and 2005.



The County Did Not Comply with Several Program Requirements

The County did not comply with program requirements relating to the Davis-Bacon Act for its Schools and Roads—Grants to States program. Specifically, the County awarded two road construction contracts totaling approximately \$1.2 million, and neither included the prevailing wage rate clause in the contracts nor required the contractors to submit certified payrolls. Further, the County did not comply with program requirements relating to subrecipient monitoring for its HIV Care Formula Grants and the Homeland Security Grant Program Cluster. Specifically, the County awarded four grants totaling approximately \$233 thousand for the HIV Care Formula Grants

program and two grants totaling approximately \$189 thousand for the Homeland Security Grant Program Cluster, but did not monitor subrecipients to ensure audit reports were received. County management did not issue decisions or ensure that corrective action was taken on audit findings, or that the subrecipients were complying with laws, regulations, or provisions of grant agreements. Our report indicates that these resulted in material noncompliance with the programs' Davis-Bacon Act and subrecipient monitoring requirements and were considered material internal control weaknesses.

TO OBTAIN MORE INFORMATION

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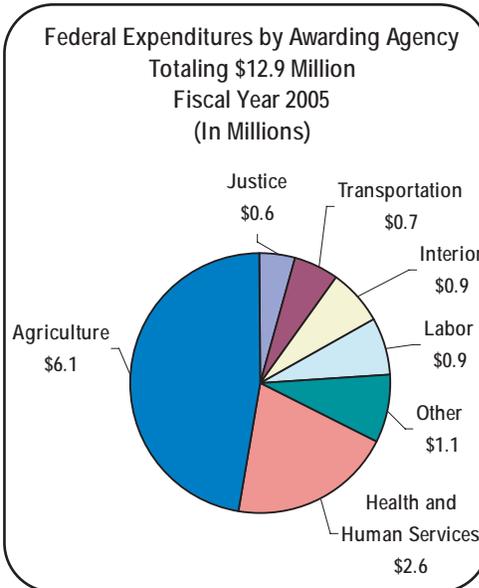
or by visiting our Web site at:
www.azauditor.gov

Contact person for this report:
Phil Shultz

Expenditures of Federal Monies Decrease by \$2.1 Million

Overall, county expenditures of federal award monies decreased by \$2.1 million over the prior year. The most significant changes occurred in funding from the following federal agencies and programs:

- \$1.9 million decrease in U.S. Department of Agriculture programs, mostly related to the Schools and Roads—Grants to States program.
- \$706 thousand decrease in U.S. Department of Transportation programs, mostly related to the Federal Transit Cluster and State and Community Highway Safety programs.
- \$178 thousand increase in U.S. Department of Labor programs, mostly related to increased funding for the Workforce Investment Act programs.
- \$105 thousand increase in the AmeriCorps program from the Corporation for National and Community Service.



The Single Audit Fact Sheet

- No weaknesses in financial reporting internal controls.
- Four weaknesses in federal compliance internal controls, two considered material internal control weaknesses.
- Four instances of noncompliance with federal compliance requirements, two considered material noncompliance.

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Year Ended June 30, 2005