



## REPORT HIGHLIGHTS FINANCIAL AND SINGLE AUDITS

### Subject

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

### Our Conclusion

The information in the County's financial statements is fairly stated in all material respects, and the financial statements can be relied on. However, auditors identified eleven deficiencies in internal control over financial reporting and three instances of noncompliance. The most significant of these deficiencies is summarized on this page. For the federal programs tested, auditors found material internal control weaknesses for five programs and material noncompliance with program requirements for three programs.



# 2009

Year Ended June 30, 2009

## Financial Statement Audit Summary

**Inadequate Controls over Financial Reporting**—The County has allocated resources to implement recommendations to correct deficiencies reported in prior years' audits. For 2009, auditors identified eleven deficiencies in internal control over financial reporting and three instances of noncompliance. Eight

of these deficiencies were material weaknesses. A material weakness is a weakness in internal controls that could lead to a material misstatement of the County's financial statements. Our recommendations to address the material weaknesses identified are summarized below.

### Auditor recommendations to improve internal controls over financial reporting—

- Continue improving procedures to prepare accurate and timely financial statements in accordance with generally accepted accounting principles.
- Evaluate the classification of all county funds and funds of legally separate entities and ensure that they are properly reported.
- Require an independent review of adjusting journal entries and the financial statements and accompanying notes.
- Strengthen controls over granting access and making changes to computer systems.
- Reconcile cash and investments balances to the County Treasurer's records on a monthly basis.
- Perform an annual physical inventory of all county departments' capital assets.
- Require all county departments to provide capital assets information to the County's Finance Department for inclusion in the financial statements and ensure this information is reviewed for completeness and accuracy.
- Reconcile total capital expenditures, including expenditures for construction projects, to total capital additions for the year.
- Perform a detailed review of county departments' financial information maintained on separate general ledger systems to ensure it is properly recorded and classified.
- Develop written policies and procedures to ensure financial information is properly recorded and reported.
- Establish policies and procedures for identifying conflicts of interest and disclosing related party transactions.

# Condensed Financial Information

**Statement of Net Assets**—This statement reports all of the County’s assets and liabilities with the difference between the two reported as net assets. Net assets are reported in three major categories:

- Invested in capital assets, net of related debt shows the equity in property, plant, and equipment.
- Restricted net assets shows the net resources that must be used for restricted purposes as specified by external parties.
- Unrestricted net assets show the net resources available for general operations.

A condensed Statement of Net Assets is presented to the right.

**Statement of Activities**—This statement shows how net assets changed during the current fiscal year. Revenues are reported as either program revenues (those generated by or dedicated to a specific program) or general revenues (taxes and revenues not raised by or dedicated to a specific program). The change in net assets indicates whether financial health has improved or deteriorated as a result of current year activities. Net assets increased by \$3.1 million in the current year. A condensed Statement of Activities is presented to the right.

Condensed Statement of Net Assets June 30, 2009	
	Total Governmental Activities
<b>Assets</b>	
Current and other assets	\$ 44,391,020
Capital assets, net	<u>82,838,534</u>
Total assets	<u>127,229,554</u>
<b>Liabilities</b>	
Current liabilities	3,345,524
Noncurrent liabilities	<u>16,107,326</u>
Total liabilities	<u>19,452,850</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	73,728,006
Restricted	19,040,878
Unrestricted	<u>15,007,820</u>
Total net assets	<u>\$107,776,704</u>

Condensed Statement of Activities Year Ended June 30, 2009	
	Total Governmental Activities
Program revenues:	
Charges for services	\$ 4,360,848
Operating grants and contributions	15,300,801
Capital grants and contributions	<u>12,393,158</u>
Total program revenues	<u>32,054,807</u>
General revenues	
Total revenues	<u>37,967,929</u>
Expenses	
	<u>66,911,006</u>
Change in net assets	3,111,730
Net assets—beginning, as restated	<u>104,664,974</u>
Net assets—ending	<u>\$107,776,704</u>

# Single Audit Summary— The County Spent \$6.9 Million in Federal Awards

During the year, the County spent \$6.9 million of federal monies for 42 programs. The U.S. Department of Agriculture, U.S. Department of Health and Human Services,

and U.S. Department of the Interior were the three largest federal grantors, with \$4.6 million of program expenditures spent from these federal awarding agencies.

Federal Expenditures by Awarding Agency Year Ended June 30, 2009 (In Thousands)	
Interior	\$1,942
Agriculture	1,449
Health and Human Services	1,194
Education	515
Labor	510
Homeland Security	442
Transportation	306
Other	278
Justice	238
<b>Total federal expenditures</b>	<b>\$6,874</b>

## The County Did Not Always Comply with Federal Compliance Requirements

Auditors tested eight federal programs under the guidelines established by the Single Audit Act. Audit tests included evaluating the County's compliance with each program's federal regulations generally related to expending, determining eligibility, procuring, and reporting federal awards. Auditors reported material weaknesses in internal control over compliance and material instances of noncompliance with federal requirements for the following three programs:

- **Workforce Investment Act (WIA) Cluster:** Financial information reported to grantors was not accurate or timely, and specified levels of service were not maintained.
- **Public Health Emergency Preparedness:** Program monies were expended for unallowable activities and unallowable costs.
- **Child Support Enforcement:** Indirect costs charged to the program were not supported and, therefore, may have been unallowable, and grant monies were not properly matched with County monies.

TO OBTAIN  
MORE INFORMATION

A copy of the full report  
is available at:  
[www.azauditor.gov](http://www.azauditor.gov)

Contact person:  
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## Navajo County

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Year Ended June 30, 2009