



REPORT HIGHLIGHTS SINGLE AUDIT

Subject

Navajo 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. However, auditors identified 13 deficiencies in internal control over financial reporting, including 11 material weaknesses, and 3 instances of noncompliance and other matters. The County generally maintained adequate internal controls and complied with federal compliance requirements for three programs tested. However, auditors found material internal control weaknesses and material noncompliance with program requirements for two programs.



2007

Year Ended June 30, 2007

The County Improves Its Financial Accountability

The County completed its corrective action plan to address deficiencies that resulted in a disclaimer of opinion on its 2006 financial statements. In preparing its 2007 financial statements, the County performed a physical inventory of capital assets; hired a consultant to estimate the historical cost of its land, buildings, and

infrastructure acquired prior to fiscal year 2006; adjusted its accounting records for year-end accruals, and reported its health insurance trust fund. Because of these actions, the accounting records were in an auditable condition, and an unqualified opinion was expressed on its 2007 financial statements.

County's Condensed Financial Information

The County's government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a manner similar to private-sector business. These statements report the financial activities of the overall government, except for fiduciary activities.

The tables to the right present a summarized version of the County's government-wide Statement of Net Assets and Statement of Activities reported in the current-year financial statements.

The Statement of Net Assets presents information on all county assets and liabilities, with the difference between the two reported as net assets. The Statement of Activities presents information showing how net assets changed during the most recent year.

**Statement of Net Assets
June 30, 2007**

	Total Governmental Activities
Assets:	
Current and other assets	\$ 49,092,565
Capital assets, net	<u>61,266,233</u>
Total assets	<u>110,358,798</u>
Liabilities:	
Current liabilities	3,408,078
Noncurrent liabilities	<u>7,866,839</u>
Total liabilities	<u>11,274,917</u>
Net assets:	
Invested in capital assets, net of related debt	55,332,385
Restricted	21,309,950
Unrestricted	<u>22,441,546</u>
Total net assets	<u>\$ 99,083,881</u>

**Statement of Activities
Year Ended June 30, 2007**

	Total Governmental Activities
Program revenues:	
Governmental activities	\$33,659,638
General revenues:	
Governmental activities	<u>33,223,879</u>
Total revenues	<u>66,883,517</u>
Expenses:	
Governmental activities	<u>57,183,698</u>
Total expenses	<u>57,183,698</u>
Change in net assets	9,699,819
Net assets—beginning, as restated	<u>89,384,062</u>
Net assets—ending	<u>\$99,083,881</u>

The County Spent \$4.1 Million in Federal Awards

The County spent \$4.1 million of federal monies this past year for 38 programs. The U.S. Department of Health and Human Services, U.S. Department of the Interior, and U.S. Department of Agriculture were the three largest federal grantors with \$2.60 million of program expenditures.

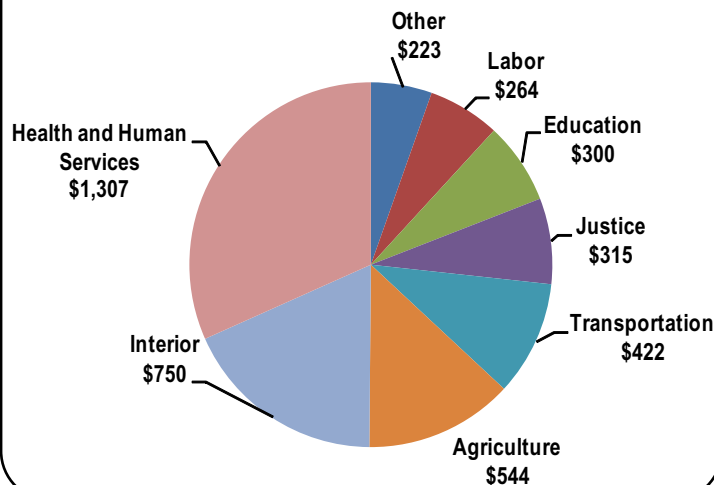
Expenditures from the U.S. Department of the Interior included approximately \$750,000 for the Payments in Lieu of Taxes program. This program is designed to compensate local taxing units for the loss of taxes from federally owned and acquired lands and is used for general government purposes.

Expenditures from the U.S. Department of Health and Human Services programs included approximately \$565,000 for the Child Support Enforcement program. This program is designed to enforce the support

obligations owed by absent parents, locate absent parents, and establish paternity. It also included approximately \$385,000 for the Centers for Disease Control and Prevention—Investigations and Technical Assistance program. This program is designed to assist health-related organizations in controlling communicable diseases, chronic diseases and disorders, and other preventable health conditions.

Expenditures from the U.S. Department of Agriculture programs included approximately \$335,000 for the Special Supplemental Food Program for Women, Infants, and Children program. This program is designed to provide supplemental nutritious foods, nutrition education, and referrals to healthcare for low-income persons during critical periods of growth and development.

**Federal Expenditures by Awarding Agency
Totaling \$4.1 Million
Fiscal Year 2007
(In Thousands)**



Single Audit Fact Sheet

- Thirteen significant deficiencies in financial reporting internal controls, eleven of which were material weaknesses.
- Seven weaknesses in federal compliance internal controls, all of which were material internal control weaknesses.
- Seven violations of federal compliance requirements, all of which were material noncompliance.
- Program costs totaling \$8,281 were questioned as a result of the audit.

The County Did Not Always Comply with Federal Compliance Requirements

Auditors identified and tested five 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. Our report indicates that the following programs had material weaknesses in internal controls and material instances of noncompliance with federal requirements.

- Special Supplemental Nutrition Program for Women, Infants, and Children: The County did not materially comply with federal requirements for reporting and eligibility.
- Centers for Disease Control and Prevention—Investigations and Technical Assistance: The County did not materially comply with federal requirements for activities allowed or unallowed; allowable costs/cost principles; procurement and suspension and debarment; and reporting.

Eleven Material Weaknesses Were Identified in Internal Control over Financial Reporting

Auditors identified 13 deficiencies in internal control over financial reporting. Eleven of these deficiencies were material weaknesses. A material weakness is a weakness in internal control that could lead to a material misstatement of the County's financial statements. A summary of the types of material weaknesses follows:

- The County did not establish or have adequate procedures to accurately record and report certain financial information.
- The County did not have adequate procedures for reporting its capital assets.
- The County did not reconcile its cash and investments records to the County Treasurer's records monthly or properly value and report its deposits and investments.
- The County did not have effective access and program change controls for its accounting systems.

TO OBTAIN
MORE INFORMATION

A copy of the full report
can be obtained by calling
(602) 553-0333



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

Contact person for
this report:
Victoria Fisher



Navajo County

REPORT
HIGHLIGHTS
SINGLE AUDIT
Year Ended June 30, 2007