



REPORT HIGHLIGHTS SINGLE AUDIT

Subject

Cochise 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 upon. The County maintained adequate internal controls over financial reporting. Also, the County maintained adequate internal controls over, and complied with, federal program requirements for three of the six programs tested. However, for three of the federal programs tested, auditors found internal control weaknesses and instances of noncompliance with program requirements. See page 2 for further information.



2006

Year Ended June 30, 2006

County's Condensed Financial Information

The County's government-wide financial statements provide readers with a broad overview of the County's finances in a manner similar to private-sector businesses. 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.

Beginning net assets were restated to include the net assets of the Ft. Huachuca Accommodation School District Fund. The District was excluded from the County's financial statements in prior years because the District's legal structure was misunderstood. Therefore, the beginning net assets were restated to correct the error.

The Statement of Net Assets presents information on the 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 fiscal year. As shown in the tables, net assets increased by more than \$18 million. This increase was primarily due to increases in the County's property taxes and excise taxes, and in the state-shared sales and vehicle license tax revenues. Also, the County increased its investment in capital assets, net of related debt.

Statement of Net Assets June 30, 2006 (In thousands)

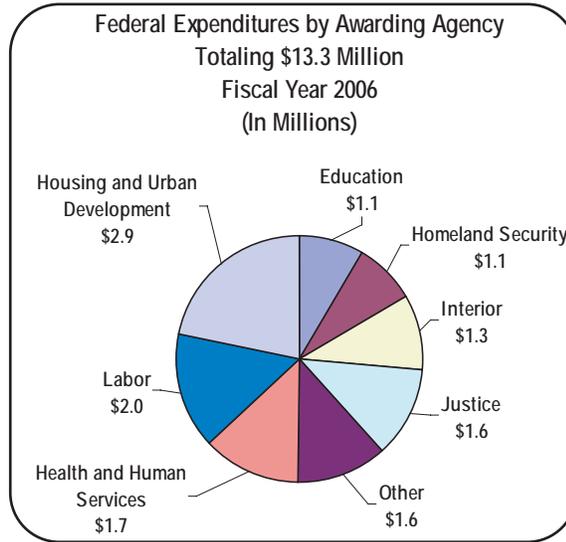
	Total Governmental and Business-type Activities
Current and other assets	\$ 76,702
Capital assets	<u>77,440</u>
Total assets	<u>154,142</u>
Current liabilities	11,090
Noncurrent liabilities	<u>14,588</u>
Total liabilities	<u>25,678</u>
Net assets:	
Invested in capital assets, net of related debt	69,216
Restricted net assets	25,875
Unrestricted net assets	<u>33,373</u>
Total net assets	<u>\$ 128,464</u>

Statement of Activities Year Ended June 30, 2006 (In thousands)

	Total Governmental and Business-type Activities
Program revenues:	
Governmental activities	\$ 49,914
Business-type activities	36,613
General revenues:	
Governmental activities	50,992
Business-type activities	<u>433</u>
Total revenues	<u>137,952</u>
Expenses:	
Governmental activities	85,952
Business-type activities	<u>33,815</u>
Total expenses	<u>119,767</u>
Change in net assets	18,185
Net assets—beginning, as restated	<u>110,279</u>
Net assets—ending	<u>\$ 128,464</u>

The County Spent \$13.3 Million in Federal Awards

The County spent \$13.3 million of federal monies this past year for 48 programs. The U.S. Department of Housing and Urban Development and the U.S. Department of Labor were the two largest federal grantors with county program expenditures totaling \$2.9 million and \$2.0 million, respectively.



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:
Donna Miller

Three County Programs with Noncompliance

Auditors identified and tested six federal programs under the requirements established by the Single Audit Act. Weaknesses in internal control and instances of noncompliance with program requirements were noted for three of the programs tested. The table below identifies the findings reported in our audit by program and type of compliance requirement.

The Single Audit Fact Sheet

- No material weaknesses in financial reporting internal controls.
- Seven weaknesses in federal compliance internal controls, one of which was considered a material weakness.
- Seven instances of noncompliance with federal compliance requirements, one of which was considered material noncompliance.
- Five instances of noncompliance resulted in potential questioned costs that were not practicable to determine.

Program	Type of Compliance Requirement				
	Cash and Report	Costs	Monitor	Procure	Special
Education Technology State Grants	X	X	X		
Immunization Grants		X			X
Homeland Security Grant Program Cluster		X		X	

Cash and Report: Program cash balances were not monitored and reconciled to the County's general ledger.
 Costs: Certain program expenditures were not in compliance with federal cost principles.
 Monitor: Subrecipients were not monitored to ensure they administered awards in compliance with federal requirements.
 Procure: Minimum competitive procurement procedures were not performed for certain federal program purchases.
 Special: Controls to ensure vaccines were safeguarded and accounted for were not adequate. Also, patient records were not always complete and up to date for vaccines given.

REPORT HIGHLIGHTS SINGLE AUDIT

Year Ended June 30, 2006