

Yavapai County, Arizona
Single Audit Reporting Package

Year ended June 30, 2008

**Yavapai County, Arizona
Single Audit Reporting Package
Year ended June 30, 2008**

Table of Contents

	<u>Page</u>
Comprehensive Annual Financial Report - Issued Separately	
Reports on Compliance and Internal Control	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.....	3-5
Schedule of Expenditures of Federal Awards	6-9
Notes to Schedule of Expenditures of Federal Awards	10
Schedule of Findings and Questioned Costs:	
Summary of Auditor’s Results	11
Financial Statement Findings	12
Federal Award Findings and Questioned Costs.....	12



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with Government Auditing Standards

The Auditor General of the State of Arizona

The Board of Supervisors of
Yavapai County, Arizona

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Yavapai County, Arizona (the County) as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 14, 2009. Our report was modified for an emphasis of a matter for the correction of an error in reporting and as to consistency for the implementation of the provisions of the Governmental Accounting Standards Board (GASB) Statement Nos. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*; 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*; and 50, *Pension Disclosures (an amendment of GASB Statements No. 25 and No. 27)*, for the year ended June 30, 2008 and was also modified to include a reference to our reliance on other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the long-term care fund, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 08-001 to be a significant deficiency in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency described in the accompanying schedule of findings and questioned costs as item 08-001 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's basic financial statements are free of 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 determination of financial statement amounts. 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*.

This report is intended solely for the information and use of the Arizona State Legislature, the Auditor General of the State of Arizona, the Board of Supervisors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Walker & Armstrong LLP
Phoenix, Arizona
January 14, 2009

**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over
Compliance in Accordance with OMB-Circular A-133**

The Auditor General of the State of Arizona

The Board of Supervisors of
Yavapai County, Arizona

Compliance

We have audited the compliance of Yavapai County, Arizona (the County) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The County's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in the County's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Yavapai County as of and for the year ended June 30, 2008, and have issued our report thereon dated January 14, 2009. Our report was modified for an emphasis of a matter for the correction of an error in reporting and as to consistency for the implementation of the provisions of the Governmental Accounting Standards Board (GASB) Statement Nos. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*; 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*; and 50, *Pension Disclosures (an amendment of GASB Statements No. 25 and No. 27)*, for the year ended June 30, 2008 and was also modified to include a reference to our reliance on other auditors. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statement.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Board of Supervisors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Walker & Armstrong LLP
Phoenix, Arizona
January 14, 2009

Yavapai County, Arizona
Schedule of Expenditures of Federal Awards
Year ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. Department of Agriculture</u>			
<i>Passed through Arizona Department of Education</i>			
Food Donation	10.550	ED05-0001	\$ 19,332
Child Nutrition Cluster:			
School Breakfast Program	10.553	ED05-0001	19,372
National School Lunch Program	10.555	ED05-0001	29,057
			48,429
<i>Passed through Arizona Department of Health Services</i>			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	HG361079, HG861088, HP661311-004	841,538
State Administrative Matching Grants for Food Stamp Program	10.561	HG361083, HG661033	48,983
Commodity Supplemental Food Program	10.565	HG361105, HG861139	36,626
<i>Passed through Arizona State Treasurer</i>			
Schools and Roads—Grants to States	10.665	None	738,086
			1,732,994
<i>Total U.S. Department of Agriculture</i>			
<u>U.S. Department of Housing and Urban Development</u>			
<i>Passed through Arizona Department of Housing</i>			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	124-06	21,461
			21,461
<i>Total U.S. Department of Housing and Urban Development</i>			
<u>U.S. Department of the Interior</u>			
Payments in Lieu of Taxes	15.226		1,323,147
			1,323,147
<i>Total U.S. Department of the Interior</i>			
<u>U.S. Department of Justice</u>			
Domestic Cannabis Eradication/Suppression Program	16.2007-10		20,382
State Criminal Alien Assistance Program	16.606		86,542
Bullet Proof Vest Partnership Program	16.607		3,332
Public Safety Partnership and Community Policing Grants	16.710		61,747
<i>Passed through Arizona Governor's Office for Children, Youth and Families</i>			
Juvenile Accountability Incentive Block Grants	16.523	JB-IGA-05-7273-12	16
Juvenile Justice and Delinquency Prevention- Allocation to States	16.540	II-GRA-08-7288-00	2,500
<i>Passed through Arizona Department of Public Safety</i>			
Crime Victim Assistance	16.575	2007-172	193,738
<i>Passed through Arizona Criminal Justice Commission</i>			
Crime Victim Compensation	16.576	VC-08-062	39,002
Edward Byrne Memorial Justice Assistance Grant Program	16.738		5,315
<i>Passed through Arizona Criminal Justice Commission</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	PC-08-120	17,286
<i>Passed through Arizona Supreme Court</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	None	74,146
			96,747
<i>Total for CFDA No. 16.738</i>			
			504,006
<i>Total U.S. Department of Justice</i>			

The accompanying notes are an integral
part of this schedule.

(continued)

Yavapai County, Arizona
Schedule of Expenditures of Federal Awards - Continued
Year ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. Department of Labor</u>			
<i>Passed through the Arizona Department of Economic Security</i>			
WIA Cluster			
WIA Adult Program	17.258	DE07031001	280,854
WIA Youth Activities	17.259	DE07031001	17,955
WIA Dislocated Workers	17.260	DE07031001	2,658
<i>Total U.S. Department of Labor</i>			301,467
<u>U.S. Department of Transportation</u>			
Airport Improvement Program	20.106		2,083,563
<i>Passed through Arizona Governor's Office of Highway Safety</i>			
State and Community Highway Safety	20.600	2007-PT-023	19,296
<i>Total U.S. Department of Transportation</i>			2,102,859
<u>U.S. Department of Education</u>			
Safe and Drug-Free Schools and Communities-National Programs	84.184		248,285
Fund for the Improvement of Education	84.215		342,021
Advanced Placement Program (Advanced Placement Test Fee, Advanced Placement Incentive Program Grants)	84.330		281,254
<i>Passed through Arizona Supreme Court</i>			
Title I Program for Neglected and Delinquent Children	84.013	None	37,115
Special Education Cluster:			
<i>Passed through Arizona Department of Education</i>			
Special Education-Grants to States	84.027	08FESCBG-870744-02A, 08FESSCG-870744-07A	578,385
Special Education-Preschool Grants	84.173	08FECCBP-870744-03A	28,659
<i>Passed through Arizona Supreme Court</i>			
Special Education-Grants to States	84.027	None	25,398
<i>Total for Special Education Cluster, CFDA Nos. 84.027 and 84.173</i>			632,442
<i>Passed through Arizona Department of Education</i>			
Safe and Drug-Free Schools and Communities-State Grants	84.186	08FSDIVB-870744-05A	8,639
<i>Passed through Arizona Supreme Court</i>			
Safe and Drug-Free Schools and Communities-State Grants	84.186	None	176
<i>Total for CFDA No. 84.186</i>			8,815
<i>Passed through Arizona Department of Education</i>			
State Grants for Innovative Programs	84.298	08FAATVA-870744-04A	4,405
<i>Passed through Arizona Supreme Court</i>			
State Grants for Innovative Programs	84.298	None	284
<i>Total for CFDA No. 84.298</i>			4,689
<i>Passed through Pima County, Arizona</i>			
Education Technology State Grants	84.318	08FSESTP-860950-13A	98,640

(continued)

The accompanying notes are an integral
part of this schedule.

Yavapai County, Arizona
Schedule of Expenditures of Federal Awards - Continued
Year ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. Department of Education - Continued</u>			
<i>Passed through Arizona Department of Education</i>			
Special Education-State Personnel Development	84.323	07FESSIG-770744-09C	1,708
English Language Acquisition Grants	84.365	08FAAENG-870744-10A	25,142
Mathematics and Science Partnerships	84.366	07FSDMSP-770744-12A, 07FSEMS2-770744-11A	410,973
Improving Teacher Quality State Grants	84.367	08FAAAZE-870744-01A	62,444
<i>Passed through Arizona Supreme Court</i>			
Improving Teacher Quality State Grants	84.367	None	7,443
<i>Total for CFDA No. 84.367</i>			69,887
<i>Total U.S. Department of Education</i>			2,160,971
<u>U.S. Election Assistance Committee</u>			
<i>Passed through Arizona Secretary of State</i>			
Help America Vote Act Requirements Payments	90.401	None	71,669
<i>Total U.S. Election Assistance Committee</i>			71,669
<u>U.S. Department of Health and Human Services</u>			
Medical Reserve Corps Small Grant Program	93.008		3,555
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers)	93.224		693,210
<i>Passed through Arizona Family Planning Council</i>			
Family Planning–Services	93.217	None	125,782
Preventive Health Services– Sexually Transmitted Diseases Control Grants	93.977	None	2,303
<i>Passed through Mountain Park Health Center</i>			
Grants for Education, Prevention, and Early Detection of Radiogenic Cancers and Diseases	93.257	None	7,982
<i>Passed through Arizona Department of Health Services</i>			
Special Programs for the Aging–Title IV– and Title II-Discretionary Projects	93.048	HG861066	53,653
Immunization Grants	93.268	HG352198, HG854293	72,517
Centers for Disease Control and Prevention–Investigations and Technical Assistance	93.283	HG754205	494,961
<i>Passed through Arizona Department of Economic Security</i>			
Child Support Enforcement	93.563	DE070250-001, G 02-04-AZ-4004	260,304
<i>Passed through Arizona Department of Health Services</i>			
HIV Care Formula Grants	93.917	HP652141-002	136,641
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	HG761269	205,647
HIV Prevention Activities–Health Department Based	93.940	HG352235, HG852270	6,479
<i>Passed through the Southern Arizona AIDS Foundation</i>			
HIV Prevention Activities–Health Department Based	93.940	S 1207-371-102 S 1208-371-102	54,135
<i>Total for CFDA No. 93.940</i>			60,614

(continued)

The accompanying notes are an integral
part of this schedule.

Yavapai County, Arizona
Schedule of Expenditures of Federal Awards - Concluded
Year ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. Department of Health and Human Services - Continued</u>			
<i>Passed through Arizona Department of Health Services</i>			
Preventive Health and Health Services Block Grant	93.991	HG354186, HG854376	78,412
Maternal and Child Health Services Block Grant to the States	93.994	HG361142, HG854241, HG754060-003, HP461413-002, HP754259-009	<u>523,830</u>
<i>Passed through Arizona Supreme Court</i>			
Substance Abuse and Mental Health Services-Access to Recovery	93.275	None	<u>14,118</u>
<i>Total U.S. Department of Health and Human Services</i>			<u>2,733,529</u>
<u>U.S. Department of Homeland Security</u>			
<i>Passed through Arizona Department of Emergency and Military Affairs</i>			
State Domestic Preparedness Equipment Support Program	97.004	2003-MU-T3-0034, 2004-GE-T4-0051	13,438
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1586-DR-AZ-025-99025	54,180
Emergency Management Performance Grants	97.042	None	103,357
<i>Passed through Arizona Department of Homeland Security</i>			
Homeland Security Grant Program	97.067	2006-GE-T6-0007, 2007-GE-T7-0006	333,757
<i>Passed through the United Way</i>			
Emergency Food and Shelter National Board Program	97.024	028000-020	<u>804</u>
<i>Total U.S. Department of Homeland Security</i>			<u>505,536</u>
Total expenditures of federal awards			<u><u>\$ 11,457,639</u></u>

The accompanying notes are an integral
part of this schedule.

Yavapai County, Arizona
Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2008

Note 1 - Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Yavapai County, Arizona and is presented on the modified accrual basis of accounting, except for Payments In Lieu of Taxes (CFDA 15.226). For this program, revenues received during the fiscal year are considered earned and are reported as expenditures. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The amount reported on the schedule for \$19,332 of the Food Donation (10.550) is the value of noncash assistance expended for each of the federal programs.

Note 2 - Catalog of Federal Domestic Assistance (CFDA) Numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2008 *Catalog of Federal Domestic Assistance*.

Note 3 - Subrecipients

During 2008, the County passed \$301,467 in U.S. Department of Labor, Workforce Investment Act, funding to a subrecipient.

Yavapai County, Arizona
Schedule of Findings and Questioned Costs
Year ended June 30, 2008

Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:	Unqualified	
	Yes	No
Material weaknesses identified in internal control over financial reporting?		X
Significant deficiencies identified not considered to be material weaknesses?	X	
Noncompliance material to the financial statements noted?		X

Federal Awards

Material weaknesses identified in internal control over major programs?		X
Significant deficiencies identified not considered to be material weaknesses?		(None reported)
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?		X

Identification of major programs:

CFDA No.	Name of Federal Program
10.665	Schools and Roads — Grants to States <i>WIA Cluster:</i>
17.258	WIA Adult Program
17.259	WIA Youth Activities
17.260	WIA Dislocated Workers
20.106	Airport Improvement Program
84.215	Fund for the Improvement of Education
84.366	Mathematics and Science Partnerships

Dollar threshold used to distinguish between Type A and Type B programs:	\$343,729
Auditee qualified as a low risk auditee?	X

Other Matters

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?	X
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Yavapai County, Arizona
Schedule of Findings and Questioned Costs - Continued
Year ended June 30, 2008

Financial Statement Finding

08-001 - Improve Internal Controls over Monitoring

Yavapai County does not have sufficient resources in place to regularly monitor the performance of its internal controls. For example, the County has several decentralized locations that receive large quantities of cash receipts as part of their operations. However, the County currently does not regularly monitor these locations to determine whether the appropriate internal controls over cash receipts are in place and operating effectively. As a result, the County's risk of misappropriation of cash receipts is increased.

We recommend that the County devote additional resources to monitoring its internal controls over financial reporting. Many entities use internal auditors or personnel performing similar functions to perform such monitoring activities. Strengthening the process for monitoring internal controls may reduce the risk of misappropriation and noncompliance with laws, regulations and the terms of grants and contracts and may also identify opportunities for increased operating efficiency and effectiveness.

Federal Award Findings and Questioned Costs

No matters were identified that were required to be reported.