

CITY OF COTTONWOOD, ARIZONA

**SINGLE AUDIT ACT REPORTS**

FOR THE

FISCAL YEAR ENDED JUNE 30, 2003

CITY OF COTTONWOOD, ARIZONA  
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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Mayor and City Council of the  
City of Cottonwood, Arizona

We have audited the general-purpose financial statements of the City of Cottonwood, Arizona (City) as of and for the year ended June 30, 2003, and have issued our report thereon dated April 15, 2004. 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.

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of basic 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated April 15, 2004.

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated April 15, 2004.

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 City Council, 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.

*Cronstrom & Trbovich, P.C.*

Cronstrom & Trbovich, P.C.

April 15, 2004



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Mayor and City Council of the  
City of Cottonwood, Arizona

We have audited the compliance of the City of Cottonwood, Arizona (City) 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, 2003. The City's major federal programs are identified in the summary of auditor's 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 City's management. Our responsibility is to express an opinion on the City'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 City'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 on the City's compliance with those requirements.

In our opinion, the City 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, 2003.

The management of the City 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 City'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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We have audited the general-purpose financial statements of the City as of and for the year ended June 30, 2003, and have issued our report thereon dated April 15, 2004. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. 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 City Council, 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.

*Cronstrom & Trbovich, P.C.*

Cronstrom & Trbovich, P.C.

April 15, 2004

CITY OF COTTONWOOD, ARIZONA  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
FISCAL YEAR ENDED JUNE 30, 2003

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of auditor's report issued: *unqualified*  
Internal control over financial reporting:  
• Material weakness(es) identified? \_\_\_\_\_ yes  no  
• Reportable condition(s) identified  
not considered to be material weaknesses? \_\_\_\_\_ yes  none reported  
Noncompliance material to financial statements  
noted? \_\_\_\_\_ yes  no

***Federal Awards***

Internal Control over major programs:  
• Material weakness(es) identified? \_\_\_\_\_ yes  no  
• Reportable condition(s) identified not  
considered to be material weaknesses? \_\_\_\_\_ yes  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)? \_\_\_\_\_ yes  no

Identification of major programs:

CFDA Number  
20.507

Name of Federal Program or Cluster  
Federal Transit Capital and Operating Assistance

Dollar threshold used to distinguish  
between Type A and Type B programs: \$300,000  
Auditee qualified as low-risk auditee?  yes \_\_\_\_\_ no

CITY OF COTTONWOOD, ARIZONA  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
FISCAL YEAR ENDED JUNE 30, 2003

**SECTION II—FINANCIAL STATEMENT FINDINGS**

None noted.

**SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None noted.

**SECTION IV—SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

No findings were noted in the prior audit.

CITY OF COTTONWOOD, ARIZONA  
 SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2003

Grantor Agency	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
U.S. Department of Justice			
Passed through Arizona Criminal Justice Commission			
Local Law Enforcement Block Grant	16.592	LLBG-03-144	\$ 11,111
Total U.S. Department of Justice			<u>11,111</u>
U.S. Department of Transportation			
Airport Improvement Grant	20.106	N/A	28,074
Passed through Arizona Department of Transportation:			
Federal Transit Capital and Operating Assistance	20.507	KR01-1186TRN	128,370
Federal Transit Capital and Operating Assistance	20.507	KR02-1410TRN	196,732
Total U.S. Department of Transportation			<u>353,176</u>
U.S. Department of Housing and Urban Development			
Passed through the Arizona Department of Commerce:			
Community Development Block Grant	14.228	222-02H	86,000
Home Investment Partnership Program	14.239	032-02	232,670
Total U.S. Department of Housing and Urban Development			<u>318,670</u>
Federal Emergency Management Administration (FEMA)			
Assistance to Firefighters Grants	83.554	N/A	123,304
TOTAL FEDERAL AWARDS			<u>\$ 806,261</u>

(1) This schedule was prepared using the modified accrual basis of accounting.