



Single Audit Report and Schedule of
Expenditures of Federal Awards
June 30, 2010

City of Flagstaff, Arizona

CITY OF FLAGSTAFF, ARIZONA

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CPAs & BUSINESS ADVISORS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor and Members of the Council
City of Flagstaff, Arizona
Flagstaff, Arizona

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Flagstaff, Arizona** (City) as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 22, 2010. As noted in the comprehensive annual financial report, the City applied an adjustment to beginning fund balances and net assets to correct revenue recognition of intergovernmental revenues. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of Title 28, Chapter 18, Article 2 of the Arizona Revised Statutes.

Internal Control over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not note any deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questions costs as 10-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's 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 instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*.

Arizona Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to use highway user revenue fund monies received pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the City solely for the authorized transportation purposes. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Mayor and the City Council, and 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Phoenix, Arizona
December 22, 2010



CPAs & BUSINESS ADVISORS

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

To the Honorable Mayor and Members of the Council
City of Flagstaff, Arizona
Flagstaff, Arizona

Compliance

We have audited the compliance of the **City of Flagstaff, 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 could have a direct and material effect on each of the City's major federal program for the year ended June 30, 2010. The City's major federal program is 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 its major federal program 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 auditing standards generally accepted in the United States of America; 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2010.

Internal Control over Compliance

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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance with requirements that could have a direct and material effect on a major federal program 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, the business-type activities, each major fund and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 22, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose 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 management, the Mayor and the City Council, and 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.



Phoenix, Arizona
December 22, 2010



CPAs & BUSINESS ADVISORS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

The Honorable Mayor,
Members of the City Council, and
Federal Aviation Administration

City of Flagstaff, Arizona

Compliance

We have audited the compliance of Flagstaff Pulliam Airport with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the quarters and year ended June 30, 2010. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the Airport's management. Our responsibility is to express an opinion on Flagstaff Pulliam Airport's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about Flagstaff Pulliam Airport'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 Flagstaff Pulliam Airport's compliance with those requirements.

In our opinion, Flagstaff Pulliam Airport complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Flagstaff Pulliam Airport is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the passenger facility charge program. In planning and performing our audit, we considered the Flagstaff Pulliam Airport's internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with the Guide.

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 and regulations that would be material in relation to the passenger facility charge 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.

This report is intended solely for the information and the use of the Mayor, City Council, management and the Federal Aviation Administration and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Phoenix, Arizona
December 22, 2010

CITY OF FLAGSTAFF, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

SECTION I - SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of **City of Flagstaff, Arizona**.
2. One material weakness relating to the audit of the financial statements was reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of **City of Flagstaff, Arizona**, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies were reported during the audit of the major federal award program or reported in the Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award program for **City of Flagstaff, Arizona** expresses an unqualified opinion on the major federal program.
6. No audit findings that were required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in Section III.
7. The programs tested as a major program were:
 - Airport Improvement Program CFDA 20.106.
 - Community Development Grant CFDA 14.218
 - Paul S. Sarbanes Transit in the Parks CFDA 20.520
 - Highway Planning and Construction CFDA 20.205
 - ARRA Highway Planning and Construction CFDA 20.205
 - ARRA Edward Byrne Memorial Formula Grant Program CFDA 16.804
 - ARRA WIFA-Singua Well CFDA 66.468
8. The threshold for distinguishing between Type A and B programs was \$300,000.
9. **City of Flagstaff, Arizona** did qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION II - FINANCIAL STATEMENT FINDINGS

10-01 Prior Period Adjustment

Criteria: An accounting system identifies material adjustments in the correct period.

Condition: Two prior period adjustments were noted by the City during the current year.

Cause: The adjustments were identified by the City which caused material prior period adjustments.

Effect: This control deficiency resulted in material adjustments to the financial statements.

Recommendation: The City should implement a procedure that reviews revenue recognition as part of the closing procedures.

Response: Prior to fiscal year 2010, the Finance Section of the City of Flagstaff was reporting certain revenues of the Library and Court, which were restricted for a specific purpose, only as revenue in the years that they were used for that purpose. The remaining receipts received were reported as deferred revenue on the balance sheet. Upon further review of reporting requirements, Finance staff learned that these revenues should all be reported as revenues in the year received and we should show as a restricted fund balance. This information was then provided to the City auditors in a timely manner. The City has been reconciling balances for both revenue sources and are being used within intended purpose. This prior period adjustment did not affect any federal awards as presented.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOLLOW-UP ON PRIOR FINDINGS

No matters are reportable.

**CITY OF FLAGSTAFF, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010**

FEDERAL CFDA NUMBER	CONTRACT/ GRANT NUMBER	AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2009	RECEIPTS	EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2010
FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE						
Department of Agriculture						
<i>Passed through Arizona State Forestry Division</i>						
10.664	WPHF 09-007	359,030	\$ -	\$ 127	\$ 29,740	\$ 29,613
Cooperative Forestry Assistance						
Total Department of Agriculture						
Environmental Protection Agency						
<i>Direct Programs:</i>						
66.818	BF-96978201-0	200,000	23,143	110,288	87,145	-
66.818	2B-00T18301-0	126,900	-	3,315	8,500	5,185
	Subtotal		23,143	113,603	95,645	5,185
<i>Passed through Water Infrastructure Finance Authority of Az</i>						
66.468	DWE 092-2009	542,500	-	542,500	542,500	-
ARRA-Capitalization Grants for Drinking Water State Revolving Funds						
Total Environmental Protection Agency						
Department of Housing and Urban Development						
<i>Direct Programs:</i>						
14.218	B-07-MC-04-0510	631,986	8,428	8,428	-	-
14.218	B-08-MC-04-0510	610,025	118,385	394,158	282,807	7,034
14.218	B-09-MC-04-0510	676,874	-	35,487	140,430	104,944
14.218	B-09-MY-04-0510	165,677	-	-	62,859	62,859
	Subtotal		126,813	438,072	486,096	174,836
14.239	310-09	110,000	1,699	9,757	80,682	72,624
14.239	316-09	154,000	25,449	140,539	115,091	-
	Subtotal		27,148	150,297	195,773	72,624
Total Department of Housing and Urban Development						
Department of Justice						
<i>Direct Programs:</i>						
16.738	2007-DJ-BX-0589	58,055	10,540	10,540	-	-
16.738	2008-DJ-BX-0489	16,765	-	6,195	6,195	-
16.738	2009-DJ-BX-0118	72,338	-	20,547	20,871	324
	Subtotal		10,540	37,281	27,065	324
16.607	2008 BVP	6,920	-	1,590	2,429	839
	Subtotal		-	1,590	2,429	839
16.609	PSN-09-001	15,000	12,705	29,960	17,255	-
16.609	PSN-09-010	20,018	-	19,826	19,826	-
	Subtotal		12,705	49,786	37,081	-

The accompanying notes are an integral part of this schedule.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	CONTRACT/GRANT NUMBER	AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2009	RECEIPTS	EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2010
Department of Justice							
ARRA-Edward Byrne Memorial Justice Assistance Grant Program	16.804	2009-SB-B9-3125	311,417	-	15,975	104,338	88,362
ARRA-COPS Hiring Program	16.710	2009RKWX0072	1,365,432	-	140,411	256,178	115,766
Subtotal				-	156,387	360,516	204,128
Passed through Arizona Criminal Justice Commission							
Edward Byrne Memorial Formula Grant Program Cycle 21	16.579	AL-08-140	110,234	8,198	-	(8,198)	-
Edward Byrne Memorial Formula Grant Program Cycle 22	16.738	DC-09-005	66,549	11,804	11,804	-	-
ARRA-Edward Byrne Memorial Formula Grant Program	16.804	DC-10-044	651,740	-	224,196	311,463	87,267
Subtotal				20,002	236,000	303,265	87,267
Passed through State of Arizona							
Missing Children Assistance	16.543	2005-MC-CX-K009	14,631	-	-	13,331	13,331
Subtotal				-	-	13,331	13,331
Passed through Sunnyside Neighborhood Association							
Community Capacity Development Office - 08/09 Police	16.595	2008-WS-QX-0125	19,669	371	3,897	3,526	-
Community Capacity Development Office - 09/10 Police	16.595	2009-W0183-AZ-W	8,000	-	-	669	669
Subtotal				371	3,897	4,194	669
Passed through Arizona's Governor's Office of Highway Safety							
Office of Juvenile Justice and Delinquency Prevention	16.727	2010-OJJDP-006	555	-	-	549	549
Office of Juvenile Justice and Delinquency Prevention	16.727	2010-OJJDP-023	24,445	-	-	3,042	3,042
Office of Juvenile Justice and Delinquency Prevention	16.727	2007-OJJDP-008	16,000	5,074	5,074	-	-
Subtotal				5,074	5,074	3,591	3,591
Total Department of Justice				48,691	490,014	751,473	310,149

The accompanying notes are an integral part of this schedule.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	CONTRACT/ GRANT NUMBER	AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2009	RECEIPTS	EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2010
Department of Transportation							
<i>Direct Programs:</i>							
Airport Improvement Program	20.106	AIP 3-04-0015-032-2008	1,818,622	-	237,212	237,212	-
Airport Improvement Program	20.106	AIP 3-04-0015-033-2008	1,563,051	70,264	138,224	67,960	-
Subtotal				40,725	(40,725)	(40,725)	-
			110,989	110,989	375,436	264,447	-
Paul S.Sarbanes Transit in the Parks	20.520	D2008-ATPL-002	855,685	-	-	855,685	855,685
Subtotal				110,989	375,436	1,120,132	855,685
<i>Passed through Arizona Department of Transportation:</i>							
Highway Planning and Construction-2009 SPR	20.205	T06-49-B0002	125,000	37,712	55,217	87,288	69,783
Highway Planning and Construction-2004 STP	20.205	T00-49-A0013	299,667	31,100	31,100	-	-
Highway Planning and Construction-2007 STP	20.205	T06-49-B0001	110,958	338,122	326,000	(12,122)	-
Highway Planning and Construction-2009 PL	20.205	T06-49-B0001	118,004	-	118,004	118,004	-
Highway Planning and Construction-2010 PL	20.205	T06-49-B0001	118,004	-	-	68,582	68,582
Highway Planning and Construction-2005	20.205	KR02-0770TRN	500,000	54,481	-	54,481	-
Highway Planning and Construction-2006	20.205	P001-2009-003797	470,964	-	-	50,857	50,857
Highway Planning and Construction-2007	20.205	P001-2009-003906	500,000	-	-	207,449	207,449
ARRA-Federal Highway Administration - Highway Planning & Constn	20.205	KR06-0242TRN	500,000	-	118,186	430,015	311,829
Subtotal			406,934	406,934	702,988	1,004,554	708,500
<i>Passed through Arizona Department of Transportation:</i>							
Public Transportation Research-2007 FTA(15)	20.514	T06-49-B0001	25,803	7,490	-	-	7,490
Public Transportation Research-2008 FTA(16)	20.514	T06-49-B0001	25,803	41,289	25,857	4,165	19,597
Subtotal			48,779	48,779	25,857	4,165	27,087
<i>Passed through Arizona's Governor's Office of Highway Safety</i>							
State & Community Highway Safety	20.600	2010-EM-001	8,814	-	8,814	8,814	-
State & Community Highway Safety	20.600	2010-PT-014	40,731	-	7,666	34,042	26,376
State & Community Highway Safety	20.600	2010-HFR-017	38,900	-	8,301	15,201	6,900
State & Community Highway Safety	20.600	2010-AI-008	12,051	-	7,051	12,051	5,000
State & Community Highway Safety	20.600	2010-EM-003	8,500	-	-	3,870	3,870
Subtotal			107,596	-	31,832	73,977	42,146
Total Department of Transportation			566,702	566,702	1,136,113	2,202,828	1,633,418
Department of Energy							
<i>Direct Programs:</i>							
ARRA-Energy Efficiency and Conversation Block	81.128	DE-SC0002532	587,100	-	15,034	86,623	71,589
Total Department of Energy			587,100	-	15,034	86,623	71,589

The accompanying notes are an integral part of this schedule.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	CONTRACT/ GRANT NUMBER	AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2009	RECEIPTS	EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2010
Department of Homeland Security							
<i>Passed through AZ Division of Emergency Management</i>							
Homeland Security Grant Program - Fire	97.067	07-AZDOHS-HSGP-333101	140,829	58,151	58,151	-	-
Homeland Security Grant Program - Fire	91.067	08-AZDOHS-HSGP 444105	141,363	85,945	137,850	51,905	-
Homeland Security Grant Program - Police	97.067	07-AZDOHS-HSGP-333101	94,258	7,143	7,143	-	-
Homeland Security Grant Program - Police	97.067	07-AZDOHS-HSGP-333101	200,000	22,781	58,937	57,213	21,057
Homeland Security Grant Program - Police	97.067	08-AZDOHS-HSGP	6,750	6,750	6,750	-	-
Homeland Security Grant Program - Police	97.067	06-AZDOHS-HSGP	75,000	10,481	-	-	-
Homeland Security Grant Program - Fire	97.067	09-AZDOHS-HSGP-555105	212,210	-	66,111	123,905	57,794
Homeland Security Grant Program - Police	97.067	09-AZDOHS-HSGP-555105	124,706	-	29,127	29,127	-
Subtotal				191,251	374,550	262,150	78,851
Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS0208HSLR313	284,043	5,927	5,927	40,072	40,072
Disaster Grants - Public Assistance (2010 Winter Storm)	97.036	FEMA-1888-DR		-	-	9,665	9,665
Subtotal				197,179	380,478	311,886	128,587
<i>Passed through AZ State Forestry</i>							
Fire Management Assistance Grant (Hardy)	97.046	KR94-2533LNR		-	-	53,622	53,622
Total Department of Homeland Security				197,179	380,478	365,508	182,209
Institute Of Museum And Library Services							
<i>Passed through AZ State Library, Archives & Public Records</i>							
Grants to States-COOL Check out our Laptops	45.310	271-3-1-(04)	56,599	(203)	-	203	-
Grants to States-Branch Out With Your Library	45.310	381-21-01-(03)	12,130	(30)	-	30	-
Grants to States-Flagstaff Telephone and City Directories	45.310	381-11-01-(03)	9,254	(659)	-	659	-
Grants to States-Children LOVE	45.310	381-25-01-(01)	32,500	(23,752)	-	23,752	-
Grants to States-State Grants In Aid	45.310	09-A-3	25,000	(3)	-	3	-
Grants to States - Every Child Ready to Read	45.310	2009-32201-04	12,387	-	12,387	8,775	(3,612)
Grants to States - Reading Stimulus Package	45.310	LSTA - 2009	26,549	-	26,549	26,549	-
Grants to States-Edgar Allan Poe Bicentennial	45.310	OA03-52147-2009	400	(400)	-	400	-
Total Institute of Museum and Library Services				(25,047)	38,936	60,371	(3,612)
Total Expenditures of Federal Awards				\$ 964,628	\$ 3,305,173	\$ 4,816,558	\$ 2,476,012

The accompanying notes are an integral part of this schedule.

CITY OF FLAGSTAFF, ARIZONA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

NOTE 1 - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of **City of Flagstaff, Arizona**, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 2 - SUBRECIPIENTS

From the federal expenditures presented in the schedule above, the City expended the following to subrecipients.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount</u>
Community Development Block Grant	14.218	\$ 423,237

#



City of Flagstaff

December 22, 2010

CORRECTIVE ACTION PLAN YEAR ENDED JUNE 30, 2010

FINDING: 2010-1

1. *Actions Planned in Response to the Finding:*

The City has made the corrections to the current financial report for the period ending June 30, 2010. With the corrections we are now showing all payments for the Library and Court that was receipted in the period as revenue in the period received. We are now showing the revenues that were received but not used for its specific purpose as Restricted Fund Balance. The impact is that the unused portions of revenues were reported as liabilities previously and now are shown as Restricted Fund Balance. We will notify the accountant in charge or recording and reconciling these revenues of the change in year end procedure and reconciliation. We will then monitor the reporting at year end.

2. *Explanation of Disagreement:*

There is no disagreement with the audit finding. The issue was identified internally by the Finance Manager and was brought to our Auditor attention once it was identified.

3. *Official Responsible for Ensuring Corrective Action:*

Rick Tadder, Finance Director

4. *Planned Completion Date for the Corrective Action:*

At the completion of the Fiscal Year 2011 audit, no later than December 31, 2011.

5. *Plan to Monitor Completion of Corrective Action:*

The City will add this item to our year-end procedure lists. We will monitor the year end journals related to this issue to ensure proper reporting.

Should you have any questions or concern, please call me at (928) 213-2215.

Sincerely,

Rick Tadder
Finance Director

Arizona Relay Service 7-1-1

211 West Aspen Avenue, Flagstaff, Arizona 86001
Main & TDD (928) 774-5281 • Fax (928) 779-7696

