



Cochise County

REPORT HIGHLIGHTS FINANCIAL STATEMENT AND SINGLE AUDITS

Subject

Cochise County issues financial statements and a schedule of expenditures of federal awards annually. The County is responsible for preparing its statements and schedule, maintaining strong internal controls, demonstrating accountability for its use of public monies, and complying with federal program requirements. As the auditors, our job is to determine whether the County has met its responsibilities.

Our Conclusion

The information in the County's financial statements is fairly stated and the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to these financial statements. A summary of this information is presented on page 2. Also, auditors identified internal control weaknesses and noncompliance with federal program requirements. Those findings are summarized to the right.



2010

Year Ended June 30, 2010

Summary of Audit Findings

For the financial statement audit, auditors found internal control weaknesses over the County's computer system access and infrastructure capital asset reporting. For the federal compliance audit, auditors tested nine federal programs, and for two of these programs, auditors noted internal control weaknesses and noncompliance with certain federal requirements. The Single Audit Report, which includes the County's financial statement and federal compliance audit reports, contains further details and auditor recommendations to help correct these deficiencies. The findings are summarized below.

Financial Statement Findings—

Computer System Access—The County's policies and procedures did not require monitoring of superuser and other similar access to the County's sensitive financial information. Auditors identified ways employees could use or modify information without being detected.

Infrastructure Capital Asset Reporting—The County's written policies and procedures did not require the use of actual historical costs when capitalizing infrastructure assets. Additionally, the County did not capture and record construction costs while infrastructure assets were being built. The County initially overstated infrastructure capital assets by \$400,000.

Federal Award Findings—

State Criminal Alien Assistance Program, 2010 total expenditures \$664,261—The County misreported information in the program application that resulted in an overaward of \$597,644. Therefore, of the \$664,261 award, the U.S. Department of Justice required the County to return the overaward, which was 90 percent of the original award amount. This finding was determined to be material, and the auditors' opinion on this federal program was modified.

Airport Improvement Program, 2010 total expenditures \$627,482—The County did not prepare and certify the required activity reports for \$41,744 of salaries and benefits that were charged to the program.

Summary of Financial Information

Cochise County combines and reports its financial balances and activities in two basic financial statements that provide readers with a broad overview of the County's finances in a manner similar to a private-sector business. Those statements and the County's schedule of expenditures of federal awards are summarized below.

Statement of Net Assets—This statement reports all of Cochise County's assets, liabilities, and net assets. Net assets, the difference between assets and liabilities, are reported in three major categories:

- Invested in capital assets, net of related debt, shows the equity in land, buildings, equipment, and infrastructure.
- Restricted net assets shows the net resources that must be used for restricted purposes as specified by other governments and external parties.
- Unrestricted net assets shows the net resources available for general operations.

Statement of Activities—This statement shows how net assets changed during the year. Revenues are reported as either program revenues (those generated by or dedicated to a specific program) or general revenues (taxes and revenues raised for general purposes). Additionally, revenues and expenses are reported as either governmental activities (principally supported by taxes and intergovernmental revenues) or business-type activities (principally supported by user fees and charges). The County's net assets increased by \$5,165,000 during the fiscal year. For the year, laws governing military accommodation schools were changed. Therefore, the Ft. Huachuca Accommodation School District was removed from the County's reporting entity, and the County's total beginning net assets balance was restated to remove the District's \$42,630,000 net asset balance.

Schedule of Expenditures of Federal Awards—The County's governmental activities expenses included \$14 million in federal awards expended. This included \$865,000 in American Reinvestment and Recovery Act federal awards. Total expenditures of federal awards were \$4.7 million less during the year primarily because the Ft. Huachuca Accommodation School District's federal awards were no longer reported within the County.

| Condensed Statement of Net Assets Governmental and Business-Type Activities As of June 30, 2010 (In Thousands) | |
|--|------------------|
| Assets | |
| Current assets | \$ 79,909 |
| Capital assets, net | <u>128,237</u> |
| Total assets | <u>208,146</u> |
| Liabilities | |
| Current liabilities | 10,913 |
| Noncurrent liabilities | <u>14,963</u> |
| Total liabilities | <u>25,876</u> |
| Net assets | |
| Invested in capital assets, net of related debt | 120,016 |
| Restricted | 11,941 |
| Unrestricted | <u>50,313</u> |
| Total net assets | <u>\$182,270</u> |

| Condensed Statement of Activities Governmental and Business-Type Activities As of June 30, 2010 (In Thousands) | |
|--|------------------|
| Program revenues | |
| Governmental activities | \$ 30,646 |
| Business-type activities | 40,004 |
| General revenues | |
| Governmental activities | 56,853 |
| Business-type activities | <u>407</u> |
| Total revenues | <u>127,910</u> |
| Expenses | |
| Governmental activities | 83,070 |
| Business-type activities | <u>39,675</u> |
| Total expenses | <u>122,745</u> |
| Change in net assets | 5,165 |
| Net assets—beginning, as restated | 177,105 |
| Net assets—ending | <u>\$182,270</u> |

| Condensed Schedule of Expenditures of Federal Awards by Grantor Agency Year Ended June 30, 2010 (In Thousands) | |
|---|-----------------|
| Housing and Urban Development | \$ 3,197 |
| Labor | 2,067 |
| Homeland Security | 1,880 |
| Interior | 1,874 |
| Justice | 1,410 |
| Agriculture | 1,148 |
| Other | <u>2,553</u> |
| Total federal expenditures | <u>\$14,129</u> |

TO OBTAIN
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The County's Single
Audit Report
is available at:
www.azauditor.gov

Contact person:
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Year Ended June 30, 2010