



REPORT HIGHLIGHTS SINGLE AUDIT

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. However, auditors identified internal control weaknesses and instances of noncompliance. Those findings are summarized to the right.



2011

Year Ended June 30, 2011

Summary of Audit Findings

For the financial statement audit, auditors found internal control weaknesses over the County's computer system access. For the federal compliance audit, auditors tested seven federal programs, and for one of these programs, auditors noted an internal control weakness and an instance of 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—All of the County's financial transactions are recorded and processed on the County's general ledger information system. However, the County did not monitor access to or modifications of its general ledger database information. Therefore, if financial information was incorrectly or inappropriately used or modified, the County would not have detected it. In addition, the County upgraded its general ledger information system during fiscal year 2010, but had not updated its written policies and procedures for system changes. Also, the County does not have written policies and procedures for monitoring system activity.

Federal Award Findings—

ARRA—Energy Efficiency and Conservation Block Grant Program (EECBG)—The County did not include the required Davis-Bacon Act requirements in the contract agreements or monitor the contractors to determine if they paid the prevailing wage rates to their workers. Those workers were paid a total of \$36,886, which represented 11 percent of the program's total expenditures.

Cochise Health System Discontinuing Operations

The County's Cochise Health Systems Enterprise Fund administered its contract with the Arizona Health Care Cost Containment System (AHCCCS). The fund operated managed care plans, that provided case management as well as acute and long-term care medical

services for elderly and disabled members located in Cochise, Graham, and Greenlee Counties. Cochise County's contract with AHCCCS expired on October 1, 2011. Therefore, the County will no longer provide these healthcare services.

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 \$2,450,000 during the fiscal year.

Schedule of Expenditures of Federal Awards—The County's governmental activities expenses included \$12.4 million in federal awards expended. This included \$1.8 million in American Reinvestment and Recovery Act federal awards. Total expenditures of federal awards were \$1.7 million less during the year primarily because of an error in the amount of expenditures reported for the State Criminal Alien Assistance Program in the prior year and because of reduced funding for the Homeland Security Grant Program.

Condensed Statement of Net Assets Governmental and Business-Type Activities As of June 30, 2011 (In Thousands)	
Assets	
Current assets	\$ 83,713
Capital assets, net	123,194
Total assets	206,907
Liabilities	
Current liabilities	9,135
Noncurrent liabilities	13,052
Total liabilities	22,187
Net assets	
Invested in capital assets, net of related debt	117,139
Restricted	15,548
Unrestricted	52,033
Total net assets	\$184,720

Condensed Statement of Activities Governmental and Business-Type Activities As of June 30, 2011 (In Thousands)	
Program revenues	
Governmental activities	\$ 29,628
Business-type activities	38,554
General revenues	
Governmental activities	56,520
Business-type activities	182
Total revenues	124,884
Expenses	
Governmental activities	84,452
Business-type activities	37,982
Total expenses	122,434
Change in net assets	2,450
Net assets—July 1, 2010	182,270
Net assets—June 30, 2011	\$184,720

Condensed Schedule of Expenditures of Federal Awards by Grantor Agency Year Ended June 30, 2011 (In Thousands)	
Housing and Urban Development	\$ 2,891
Interior	1,925
Labor	1,339
Education	1,243
Agriculture	1,077
Homeland Security	1,076
Other	2,860
Total federal expenditures	\$12,411

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

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Year Ended June 30, 2011