



REPORT HIGHLIGHTS

FINANCIAL STATEMENT AND SINGLE AUDITS

Our Conclusion

Cochise County is responsible for preparing annual financial statements and a schedule of expenditures of federal awards, maintaining effective internal controls, and being accountable for its use of public monies. Our Office is responsible for auditing the County's financial statements, schedule, and major federal programs annually. A summary of the financial statements and schedule of expenditures of federal awards is presented to the right.

Based on our audits, we issued reports that included our opinion on the County's financial statements and its schedule of expenditures of federal awards, and reports on its internal control and compliance over financial reporting and major federal programs. The information in the County's fiscal year 2013 financial statements and schedule of expenditures of federal awards is reliable. Our reports identified internal control weaknesses and instances of noncompliance over major federal programs. These findings are summarized on the next page.



2013

Year Ended June 30, 2013

Condensed financial information

Statement of net position—This statement reports all of Cochise County's assets, liabilities, and net position. Net position is reported in three major categories:

- **Net investment in capital assets**—shows the equity in land, buildings, equipment, and infrastructure.
- **Restricted**—shows the resources that must be used for restricted purposes as specified by donors and other external entities, such as the federal government.
- **Unrestricted**—shows the resources available for general operations.

Statement of activities—This statement reports all revenues, expenses, and the year's change in net position. Revenues include program revenues—those generated by or dedicated to a specific program—and general revenues such as taxes raised for general purposes. It also reports revenues and expenses as either governmental activities—primarily supported by taxes and grant monies—or business-type activities—primarily supported by user fees and charges. During fiscal year 2013, net position decreased by \$1.6 million, or 0.8 percent, as compared to an increase of \$4.7 million, or 2.6 percent, in fiscal year 2012.

Schedule of expenditures of federal awards—During fiscal year 2013, the County's governmental activities expenses included \$11.1 million in federal awards expended. The County's federal award expenditures decreased by \$15,000, or 0.1 percent, compared to fiscal year 2012.

Condensed statement of net position

Governmental and business-type activities

As of June 30, 2013
(In thousands)

Assets	
Current assets	\$ 77,745
Capital assets, net	127,231
Total assets	<u>204,976</u>
Liabilities	
Current liabilities	5,516
Noncurrent liabilities	11,594
Total liabilities	<u>17,110</u>
Net position	
Net investment in capital assets	122,960
Restricted	14,526
Unrestricted	50,380
Total net position	<u>\$187,866</u>

Condensed statement of activities

Governmental and business-type activities

For the year ended June 30, 2013
(In thousands)

Program revenues	
Governmental activities	\$ 28,828
Business-type activities	4,267
General revenues	
Governmental activities	57,146
Business-type activities	165
Total revenues	<u>90,406</u>
Expenses	
Governmental activities	86,477
Business-type activities	5,507
Total expenses	<u>91,984</u>
Changes in net position	(1,578)
Net position—beginning	<u>189,444</u>
Net position—ending	<u>\$187,866</u>

Condensed schedule of expenditures of federal awards by grantor agency

For the year ended June 30, 2013 (In thousands)

Department of Housing and Urban Development	\$ 3,020
Department of Interior	1,994
Department of Labor	1,638
Department of Homeland Security	1,257
Department of Agriculture	1,115
Other	2,114
Total federal expenditures	<u>\$11,138</u>

Summary of audit findings and recommendations

For the financial statement audit, we reported no internal control deficiencies. For the federal compliance audit, we tested three federal programs under the major program guidelines established by the Single Audit Act and found that the County did not always have adequate internal controls and did not always comply with federal program requirements for one of its programs. Our Schedule of Findings and Questioned Costs included in our Single Audit Report contains further details to help the County correct these deficiencies. The findings and recommendations are summarized below.

Noncompliance with federal program requirements

For the Emergency Management Performance Grants program, auditors noted the following deficiencies:

- Payroll costs for two employees totaling \$65,062 were charged to the program, and the employees did not certify that their actual time and effort was spent working on the program's objectives as required by federal regulations.
- Expenditures reported on quarterly financial expense reports submitted to the grantor to request reimbursement were not supported by the County's financial records. Errors were made on each quarterly report, and the County requested reimbursement for \$426 more than it spent on the program during fiscal year 2013.

Recommendations

To help improve internal controls over its federal programs and help ensure compliance with federal requirements, the County should:

- Ensure that all county departments have implemented established policies and procedures requiring that employees certify their actual time and effort working on federal grant programs at least semiannually.
- Develop and implement policies and procedures for the preparation of quarterly financial expense reports. These policies and procedures should require the reconciliation of reported expenditures to supporting financial records and the review and approval of the reports by an employee who is knowledgeable about the federal grant program.