



REPORT HIGHLIGHTS

FINANCIAL STATEMENT AND SINGLE AUDITS

Our Conclusion

Coconino 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 opinions on the County's financial statements and 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 2014 financial statements and schedule of federal awards is reliable. Our Office identified internal control deficiencies and instances of noncompliance over financial reporting and federal programs. These findings are summarized on the next page.



2014

Year Ended June 30, 2014

Condensed financial information

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

- **Net investment in capital assets**—shows the equity in land, buildings, machinery and 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. During fiscal year 2014, net position increased by \$1.7 million, or 0.8 percent, as compared to it being nearly unchanged in fiscal year 2013.

Schedule of expenditures of federal awards—During fiscal year 2014, the County expended \$16.9 million in federal awards. The County's federal award expenditures decreased by \$100,000, or 0.7 percent, compared to fiscal year 2013.

Condensed statement of net position Governmental activities As of June 30, 2014 (In thousands)

Assets	
Current and other assets	\$106,559
Capital assets, net	145,931
Total assets	<u>252,490</u>
Liabilities	
Current	7,472
Noncurrent	11,408
Total liabilities	<u>18,880</u>
Net position	
Net investment in capital assets	145,481
Restricted	69,537
Unrestricted	18,592
Total net position	<u>\$233,610</u>

Condensed statement of activities Governmental activities For the year ended June 30, 2014 (In thousands)

Program revenues	
Charges for services	\$ 12,374
Operating grants and contributions	35,999
Capital grants and contributions	14
Total program revenues	<u>48,387</u>
General revenues	
Property taxes	19,225
Sales tax	27,691
Other	26,864
Total general revenues	<u>73,780</u>
Total revenues	<u>122,167</u>
Expenses	
Change in net position	1,738
Net position—July 1, 2013	231,872
Net position—June 30, 2014	<u>\$233,610</u>

Condensed schedule of expenditures of federal awards by grantor agency For the year ended June 30, 2014 (In thousands)

Department of Agriculture	\$ 9,081
Department of Health and Human Services	1,910
Department of Interior	1,845
Department of Education	1,488
Department of Labor	948
Other	1,604
Total federal expenditures	<u>\$ 16,876</u>

Summary of audit findings and recommendations

For the financial statement audit, we found internal control weaknesses over the County's financial statement preparation, capital assets, and purchasing procedures. For the federal compliance audit, we tested six 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 for one of its federal programs and did not always comply with federal program requirements for the preparation of its Schedule of Expenditures of Federal Awards. Our Single Audit Report contains further details to help the County correct these deficiencies. The most significant deficiencies are summarized below.

County should strengthen its policies and procedures to prepare accurate financial statements, safeguard its capital assets, and comply with its purchasing procedures

The County lacked adequate policies and procedures or did not always comply with them in several areas. Specifically, the County did not have adequate policies and procedures over handling certain financial matters including preparing its financial statements. As a result, auditors found \$35.7 million in misclassification errors that the County had to correct to accurately report its financial statement amounts and note disclosures. In addition, the County did not have policies or procedures in place to perform a physical inventory of its machinery and equipment capital assets, estimated to be valued at \$4.9 million and had no record of when it last performed a physical inventory. Lastly, the County did not always comply with its purchasing procedures that require competitive bidding for purchases exceeding \$50,000. For example, it failed to use competitive sealed bids prior to awarding a food services contract under which the County purchased food products totaling \$226,219.

Recommendations

The County should:

- Improve its established procedures when preparing its annual financial statements by having a knowledgeable employee conduct an independent review of all schedules supporting the financial statements and note disclosures.
- Develop policies and procedures to perform a physical inventory of its machinery and equipment at least every 2 years.
- Establish procedures that ensure that it uses competitive bidding for purchases with an estimated value of \$50,000 or more.