



## REPORT HIGHLIGHTS FINANCIAL STATEMENT AND SINGLE AUDITS

### Our Conclusion

Yavapai 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 opinions 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 Yavapai 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. During fiscal year 2013, net position decreased by \$6.7 million, or 2.2 percent, as compared to a decrease of \$5.2 million, or 1.6 percent, in fiscal year 2012.

**Schedule of expenditures of federal awards**—During fiscal year 2013, the County expended \$19.5 million in federal awards. The County's federal award expenditures increased by nearly \$7.5 million, or 62 percent, compared to fiscal year 2012.

### Condensed statement of net position Governmental activities As of June 30, 2013 (In thousands)

|                                  |                  |
|----------------------------------|------------------|
| <b>Assets</b>                    |                  |
| Current assets                   | \$ 77,839        |
| Capital assets, net              | 271,508          |
| Total assets                     | <u>349,347</u>   |
| <b>Liabilities</b>               |                  |
| Current                          | 11,494           |
| Noncurrent                       | 33,796           |
| Total liabilities                | <u>45,290</u>    |
| <b>Net position</b>              |                  |
| Net investment in capital assets | 246,279          |
| Restricted                       | 28,626           |
| Unrestricted                     | 29,152           |
| Total net position               | <u>\$304,057</u> |

### Condensed statement of activities Governmental activities For the year ended June 30, 2013 (In thousands)

|                         |                  |
|-------------------------|------------------|
| <b>Program revenues</b> |                  |
| Governmental activities | \$ 50,050        |
| <b>General revenues</b> |                  |
| Governmental activities | 113,002          |
| Total revenues          | <u>163,052</u>   |
| <b>Expenses</b>         |                  |
| Governmental activities | 169,797          |
| Changes in net position | (6,745)          |
| Net position—beginning  | 310,802          |
| Net position—ending     | <u>\$304,057</u> |

### Condensed schedule of expenditures of federal awards by grantor agency For the year ended June 30, 2013 (In thousands)

|   |                 |
|---|-----------------|
| Department of Interior                  | \$ 8,480        |
| Department of Agriculture               | 4,095           |
| Department of Health and Human Services | 2,518           |
| Department of Labor                     | 1,670           |
| Department of Education                 | 1,116           |
| Other                                   | 1,647           |
| Total federal expenditures              | <u>\$19,526</u> |

## Summary of audit findings and recommendations

For the financial statement audit, our report on internal control and compliance did not include any reported deficiencies in the County's internal control over financial reporting. For the federal compliance audit, we tested five 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 two of its programs. Our Single Audit Report over federal programs contains further details to help the County correct these deficiencies. The findings and recommendations are summarized below.

### Noncompliance with federal program requirements

- The County did not prepare annual federal financial reports for one of its two Airport Improvement Program federal grants.
- During fiscal year 2013, the County implemented policies and procedures to help ensure employee compensation charged to federal programs was properly documented, reviewed, and approved. However, for its State Fiscal Stabilization Fund (SFSF)—Race-to-the-Top Incentive Grants Program, Recovery Act, federal program, auditors identified an instance of a monthly time-and-effort log that was prepared based on expected hours and reviewed before the end of the period reported. As a result, employee compensation was charged to the program based on expected hours rather than actual time and effort worked on the program.
- During fiscal year 2013, the County developed and implemented policies and procedures that required reimbursement requests to receive an independent review and approval prior to submission to the pass-through grantor. However, for its SFSF—Race-to-the-Top Incentive Grants Program, Recovery Act, federal program, the County was unable to demonstrate the requests were reviewed and approved prior to submission.

### Recommendations

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

- Prepare and submit all required federal financial reports annually.
- Prepare and review monthly time-and-effort logs on an after-the-fact basis to ensure that salaries and wages charged to federal programs reflect actual time and effort spent working on those federal programs.
- Perform a documented independent review and approval of all reimbursement requests prior to submitting them.