



REPORT HIGHLIGHTS

FINANCIAL STATEMENT AND SINGLE AUDITS

Subject

Pima 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 in all material respects 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 found instances of noncompliance. Those findings are summarized to the right.



2010

Year Ended June 30, 2010

Summary of Audit Findings

For the financial statement audit, auditors identified internal control weaknesses over the County's Pima Health System and Services claims processing computer systems. For the federal compliance audit, auditors tested 12 federal programs under the guidelines established by the Single Audit Act and, for 5 of those programs, noted internal control weaknesses and noncompliance with program requirements. The Report on Internal Control and Compliance and the Single Audit Report include further details and auditor recommendations to help correct these deficiencies.

Financial Statement Findings—

Pima Health System and Services (a major enterprise fund)—The County lacked adequate internal controls over the Pima Health System and Services claims processing computer systems. This caused delays and inaccurate medical and health care claims data to be submitted to the Arizona Health Care Cost Containment System.

Federal Award Findings—

Edward Byrne Memorial Justice Assistance Grant, 2010 total expenditures \$751,000—The County failed to prepare the required payroll certifications for employees whose salary expenditures totaled approximately \$563,000. This finding was considered a material internal control weakness and material noncompliance.

Highway Planning and Construction, 2010 total expenditures \$4,920,000—The County neglected to inform one of its contractors of the Davis Bacon Act prevailing wage requirements for work performed on the Mt. Lemmon Highway project. A total of \$18,672 in labor charges was not adequately monitored.

Capitalization Grants for Clean Water State Revolving Funds, 2010 total expenditures

\$2,000,000—The County hired contractors to perform the majority of work on new sewer infrastructure financed by this program. However, the County did not adequately review its contractors' payroll certifications or conduct random interviews with laborers to verify that contractors paid laborers the required Davis Bacon Act prevailing wages.

State Fiscal Stabilization Fund, 2010 total expenditures

\$304,000—The County received an advance of \$57,414 with a time limit of 30 days to spend the monies. However, the County reported that it took 111 days to spend \$30,000 of the advance.

Energy Efficiency and Conservation Block Grant, 2010 total expenditures \$224,000—

The County did not accurately report its financial expenditures on the required quarterly progress reports. It reported \$0 in expenditures on its quarterly progress reports and overstated expenditures on its American Recovery and Reinvestment Act progress reports.

Summary of Financial Information

Pima 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. A condensed summary of these statements and the County's Schedule of Expenditures of Federal Awards follows:

Statement of Net Assets—This statement reports all of Pima 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 \$173 million during the fiscal year.

Schedule of Expenditures of Federal Awards—The County's governmental activities expenses included \$65 million in federal awards expended. This is a \$19 million increase from the prior year. The County's federal awards included \$16 million in American Reinvestment and Recovery Act monies, the majority of which was received from the Department of Labor for employment training, the Department of Transportation for highway construction, and the Department of Justice for prosecution and law enforcement assistance.

Condensed Statement of Net Assets Governmental and Business-Type Activities June 30, 2010 (In Millions)	
Assets	
Current assets	\$ 829
Capital assets, net	<u>2,444</u>
Total assets	<u>3,273</u>
Liabilities	
Current liabilities	254
Long-term liabilities	<u>1,031</u>
Total liabilities	<u>1,285</u>
Net assets	
Invested in capital assets, net of related debt	1,599
Restricted	209
Unrestricted	<u>180</u>
Total net assets	<u>\$1,988</u>

Condensed Statement of Activities Governmental and Business-Type Activities Year Ended June 30, 2010 (In Millions)	
Program revenues	
Governmental activities	\$ 273
Business-type activities	354
General revenues	
Governmental activities	567
Business-type activities	<u>4</u>
Total revenues	<u>1,198</u>
Expenses	
Governmental activities	700
Business-type activities	<u>325</u>
Total expenses	<u>1,025</u>
Change in net assets	173
Net assets—beginning	<u>1,815</u>
Net assets—ending	<u>\$1,988</u>

Condensed Schedule of Expenditures of Federal Awards by Grantor Agency Year Ended June 30, 2010 (In Millions)	
Labor	\$15
Health and Human Services	11
Housing and Urban Development	8
Justice	7
Transportation	5
Homeland Security	4
Other	<u>15</u>
Total federal expenditures	<u>\$65</u>

TO OBTAIN
MORE INFORMATION

Copies of the County's Comprehensive Annual Financial Report, Report on Internal Control and Compliance, and Single Audit Report are available at:
www.azauditor.gov

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Year Ended June 30, 2010