

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 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 2012 financial statements and schedule of expenditures of federal awards is reliable. Our reports identified an internal control weakness, which is summarized on the next page.



2012

Year Ended June 30, 2012

Condensed financial information

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**—shows the net resources that must be used for restricted purposes as specified by donors and 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 assets. Revenues include program revenues—those generated by or dedicated to a specific program—or 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 2012, net assets increased by \$4.7 million, or 2.6 percent, as compared to an increase of \$2.4 million, or 1.3 percent, in fiscal year 2011.

Schedule of expenditures of federal awards—During fiscal year 2012, the County's governmental activities expenses included almost \$11.2 million in federal awards expended. The County's federal award expenditures decreased by \$1.3 million, or 10.1 percent, compared to fiscal year 2011.

Condensed statement of net assets Governmental and business-type activities

As of June 30, 2012
(In thousands)

Assets	
Current assets	\$ 82,443
Capital assets, net of depreciation	126,074
Total assets	<u>208,517</u>
Liabilities	
Current	6,680
Noncurrent	12,393
Total liabilities	<u>19,073</u>
Net assets	
Invested in capital assets, net of related debt	120,921
Restricted	15,061
Unrestricted	53,462
Total net assets	<u>\$189,444</u>

Condensed statement of activities Governmental and business-type activities

For the year ended June 30, 2012
(In thousands)

Program revenues	
Governmental activities	\$ 30,726
Business-type activities	13,528
General revenues	
Governmental activities	58,825
Business-type activities	351
Total revenues	<u>103,430</u>
Expenses	
Governmental activities	85,003
Business-type activities	13,703
Total expenses	<u>98,706</u>
Change in net assets	4,724
Net assets—beginning	<u>184,720</u>
Net assets—ending	<u>\$189,444</u>

Condensed schedule of expenditures of federal awards by grantor agency For the year ended June 30, 2012 (In thousands)

U.S. Department of Housing and Urban Development	\$ 2,498
U.S. Department of the Interior	2,011
U.S. Department of Labor	1,293
U.S. Department of Homeland Security	1,254
U.S. Department of Agriculture	1,102
U.S. Department of Education	1,066
Other	1,929
Total federal expenditures	<u>\$11,153</u>

Summary of audit findings and recommendations

For the financial statement audit, we found an internal control weakness related to the County's cash and investment recordkeeping procedures, which is summarized below. Our Single Audit Reporting Package contains further details to help the County correct this weakness. For the federal compliance audit, we tested four programs under the major program guidelines established by the Single Audit Act and reported no deficiencies.

Inadequate cash and investment recordkeeping procedures

The County did not have adequate policies and procedures to ensure that it properly recorded its cash and investment activity and balances in its financial records. Consequently, the County recorded a \$6.5 million deposit twice in its accounting records. The error resulted in the County's cash and investment amounts being overstated by \$6.5 million in its financial statements. After we found the accounting error, the County corrected its financial statements and related note disclosures to properly state cash and investment amounts.

Recommendations

To help ensure cash and investment activity and balances are correctly recorded in its accounting records and reported on its financial statements, the County should:

- Establish and implement adequate policies and procedures for reporting cash and investment balances at year-end including requiring the finance department to discuss and verify all year-end deposit adjustments recorded in the financial records with its Treasurer's Office.
- Review year-end deposit adjustments and identify and investigate any unusual activity or balances.