

# County Financial Statements and Single Audit Reporting Guidelines - 2013

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These reporting guidelines were created following the Governmental Accounting Standards Board's, the Office of Management and Budget's, and the AICPA's authoritative literature and from applicable practice aids. They include illustrative examples of financial statements, disclosures, and schedules, as well as the auditors' reports. The examples are neither authoritative nor are they required to be followed. Instead, they provide sample displays and disclosures to help ensure consistent and accurate presentation.

When these guidelines are used by County management, management agrees to take responsibility for the preparation and fair presentation of the county's basic financial statements, related note disclosures, and all accompanying information, including required supplementary information (RSI) and supplementary information other than RSI, and other required disclosures. County management should ensure that its reports follow applicable authoritative guidance.

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<sup>1</sup> When the Yellow Book report on internal control and compliance is issued separately move to the Reports Issued Separately section at the bottom of the page.

(Letterhead)

## Independent Auditors' Report

Members of the Arizona State Legislature<sup>1</sup>

The Board of Supervisors of  
\_\_\_\_\_ County, Arizona

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information<sup>2</sup> of \_\_\_\_\_ County as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. (We did not audit the financial statements of the [*identify component unit, fund, organization, function, or activity*], which represent \_\_\_ percent, \_\_\_ percent, and \_\_\_ percent, respectively, of the assets, [net position or fund balance], and revenues of the [*identify opinion unit(s)*].<sup>3</sup> Those statements were audited by other auditors whose report(s) has (have) been furnished to us, and our opinion(s), insofar as it (they) relate(s) to the amounts included for [*identify component unit, fund, organization, function, or activity*], is (are) based solely on the report(s) of the other auditors.) We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. **Add the following sentence when a portion of the County was not audited in accordance with Government Auditing Standards.** The financial statements of the (*name of the portion of the entity, such as the name of the component unit or fund, and if it is not evident from the*

<sup>1</sup> Contract auditors should address to "The Auditor General of the State of Arizona."

<sup>2</sup> The introductory and opinion paragraphs should list only the opinion units presented in the basic financial statements. Normally, the aggregate discretely presented component units and the aggregate remaining fund information are treated as separate opinion units. If either of these two opinion units are not quantitatively or qualitatively material to the primary government and the auditor has chosen to combine the two into a single opinion unit, this sentence would change to the following: "governmental activities, business-type activities, each major fund, and aggregate discretely presented component unit(s) and remaining fund information."

<sup>3</sup> Appropriate changes to this sentence should be made when an entire opinion unit is audited by another auditor. For example, "We did not audit the financial statements of the \_\_\_\_\_ Fund, which is both a major fund and XX percent, XX percent, and XX percent, respectively, of the assets, net position, and revenues of the \_\_\_\_\_ activities." However, the report still should indicate in the "Auditors' Responsibility" section the group auditors' responsibility for auditing that opinion unit. The group auditor should also express or disclaim an opinion in the "Opinion" section of the report. For further discussion and guidance see the AICPA *Codification of Statements on Auditing Standards*, AU-C § 600, *Special Considerations-Audits of Group Financial Statements (Including the Work of Component Auditors)*.

*financial statements, the opinion unit to which the component unit or fund relates) were not audited by the other auditors in accordance with Government Auditing Standards.*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, (based on our audit and the report(s) of the other auditors,) the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of \_\_\_\_\_ County as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### **Emphasis of Matter**

***(Add an emphasis of matter paragraph for consistency here if the County implemented the new GASB accounting standards during fiscal year 2013 and the implementation of the new standard(s) had a material effect on the County's financial statements/disclosures (i.e., GASB 60, Accounting and Financial Reporting for Service Concession Arrangements; GASB 61, The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34; GASB 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements; and GASB 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.)***

### **Other Matters**

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages \_\_\_ through \_\_\_, the Budgetary Comparison Schedules on pages \_\_\_ through \_\_\_, the Schedule of Agent Retirement Plans' Funding Progress on page \_\_\_, and the Infrastructure Assets information on pages \_\_\_ through \_\_\_ be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We (and the other auditors)<sup>1</sup> have applied certain limited procedures to the required supplementary information in

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<sup>1</sup> Reference to the other auditors is only appropriate when the other auditors' report discusses applicable RSI, SI, or both. For additional guidance see the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide, *State and Local Governments*, as of March 1, 2013, Appendix A, Footnote 41.

accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Add the following two paragraphs if the County includes a Schedule of Expenditures of Federal Awards with its financial statements.**

*Supplementary Information—Schedule of Expenditures of Federal Awards*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, (based on our audit, the procedures performed as described above, and the report(s) of the other auditors,)<sup>1</sup> the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Add the following three paragraphs if the County issues a Comprehensive Annual Financial Report (CAFR).**

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund statements and schedules and the introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, (based on our

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<sup>1</sup> Reference to the other auditors is only appropriate when the other auditors' report discusses applicable RSI, SI, or both. For additional guidance see the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide, *State and Local Governments*, as of March 1, 2013, Appendix A, Footnote 41.

audit, the procedures performed as described above, and the report(s) of the other auditors.)<sup>1</sup> the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

*Compliance Over the Use of Highway User Revenue Fund and Other Dedicated State Transportation Revenue Monies<sup>2</sup>*

In connection with our audit, nothing came to our attention that caused us to believe that the County failed to use highway user revenue fund monies received by the County pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues received by the County solely for the authorized transportation purposes, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the use of highway user revenue fund monies and other dedicated state transportation revenues, insofar as they relate to accounting matters.

**OR**

***When an instance(s) of noncompliance is identified by the auditor over HURF compliance include a description of the identified instance(s) of noncompliance here, see AU-C § 806.13b.*** In connection with our audit, we noted that the County spent \$\_\_\_\_\_ of highway user revenue fund monies received by the County pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and other dedicated state transportation revenues received by the County for \_\_\_\_\_ which was (were) not for authorized transportation purposes, insofar as they relate to accounting matters. Our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the use of highway user revenue fund monies and other dedicated state transportation revenues, insofar as they relate to accounting matters.

The communication related to compliance over the use of highway user revenue fund and other dedicated state transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, (the Auditor General of the State of Arizona,<sup>3</sup>) the Board of Supervisors, management, and other responsible parties within the County and is not intended to be and should not be used by anyone other than these specified parties. ***When reporting on HURF***

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<sup>1</sup> Reference to the other auditors is only appropriate when the other auditors' report discusses applicable RSI, SI, or both. For additional guidance see the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide, *State and Local Governments*, as of March 1, 2013, Appendix A, Footnote 41.

<sup>2</sup> To help ensure continuity and consistency in reporting the results of our audit of county HURF monies in accordance with A.R.S. §41-1279.21.A.1 our report on compliance over the use of these monies should be included in our audit report on the County's financial statements following the guidance of the AICPA Codification of Statements on Auditing Standards, AU-C §806. As long as sufficient evidence was examined during our audits of the financial statements, regardless of whether or not HURF was in a major fund, the Office will no longer issue a separate report on HURF compliance. In addition, when applicable, the auditors should include in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters instances of noncompliance governing the use of HURF monies or other dedicated state transportation revenues that have a material effect on the financial statements or other financial data significant to the audit objectives and any other instances that warrant the attention of those charged with governance. Also, AU-C §250 provides that the auditor should communicate with those charged with governance matters involving noncompliance with laws and regulations that come to the auditor's attention, other than when the matters are clearly inconsequential. For additional guidance, see the AICPA Audit Guide, *Government Auditing Standards and Circular A-133 Audits*, as of February 1, 2013, paragraphs 4.31 through 4.34 and *Government Auditing Standards*, Chapter 4, paragraphs 4.23 through 4.27.

<sup>3</sup> Contract auditors should include a reference to "the Auditor General of the State of Arizona."

***compliance in the auditors' report on the County's financial statements AU-C §§806 and 905 require that a separate paragraph be added to the auditors' report that includes an appropriate alert.***

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated *[date of report]*, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

**OR**

In accordance with *Government Auditing Standards*, we will issue our report on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters at a future date. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Debbie Davenport  
Auditor General

***Date of auditors' report***

***Illustrative auditors' reports, other than the preceding unqualified opinion on basic financial statements, are included in the AICPA Audit and Accounting Guide, as of March 1, 2013, Appendix A of Chapter 14.***

## Management's Discussion and Analysis

*This should be printed on the County's letterhead or otherwise clearly noted that it is the County's document. The County's MD&A must comply with the provisions of GASB's Statement 34, but cannot go beyond those provisions. Refer to GASB Statement 34, paragraphs 8-11 and GASB Statement 37, paragraph 4.*

Our discussion and analysis of the County's financial performance provides an overview of the County's financial activities for the year ended June 30, 2013. Please read it in conjunction with the transmittal letter on page \_\_\_ and the County's basic financial statements, which begin on page \_\_\_. **Modify as needed.**

### \_\_\_ County in 2013

#### Using This Annual Report—

*Explain the reporting model—including how the statements relate to one another and the significant differences between them. Describe how the information in the fund financial statements reinforces the information in the government-wide statements, or at least provides additional information.*

#### Overall Analysis—

*Discuss the County's current-year results in comparison with the prior year, emphasizing the current year. Explain the County's overall financial position from the Statement of Net **Position** and results of operations from the Statement of Activities in a way that assists users in assessing whether conditions are better or worse than the previous year and why. The focus of the analysis should be on the primary government, addressing both governmental and business-type activities, as applicable. If component units must be discussed, be sure readers know that the focus of the discussion has shifted. Also, when appropriate, the County's MD&A should refer readers to the component unit's separately issued financial statements.*

*The analysis must provide the reasons for significant changes rather than simply the amounts or percentages of change. The analysis should also take into account any important economic factors that significantly affected the County's operating results during the year. Use graphics where appropriate. Also, where appropriate, incorporate the required elements listed in the next section. Further, explain any restrictions, commitments, or other limitations that significantly affect the future use of resources.*

#### Required elements—

*The County should present the information needed to support the preceding analysis. Accordingly, MD&A must include condensed financial information derived from the government-wide financial statements comparing the current year to the prior year and must include the following elements:*

- *Total assets, distinguishing between capital and other assets*
- *Total deferred outflows of resources*
- *Total liabilities, distinguishing between long-term liabilities and other liabilities*
- *Total deferred inflows of resources*
- *Total net **position**, distinguishing among **net investment** in capital assets, restricted amounts, and unrestricted amounts*
- *Program revenues, by major source*
- *General revenues, by major source*
- *Total revenues*
- *Program expenses, at a minimum by function*

- Total expenses
- Excess (deficiency) before contributions to term and permanent endowments or permanent fund principal, special and extraordinary items, and transfers
- Contributions
- Special and extraordinary items
- Transfers
- Change in net position
- Ending net position

**Fund Analysis—**

*Discuss individual funds' balances and transactions. Explain the reasons for any significant changes in fund balances or fund net position. Also, explain any restrictions, commitments, or other limitations that significantly affect the future use of fund resources.*

**Budget Variations Analysis—**

*If appropriate and for the general fund only, discuss significant variations between the original and final budget, and between the final budget and the actual amounts. Make a particular point of addressing any variations that could have a significant effect on future services or liquidity.*

**Capital Asset and Debt Administration—**

*Describe significant capital asset and long-term debt activity, including commitments for capital expenditures. Also, discuss any changes in the County's credit ratings and debt limitations that may affect its ability to finance its plans.*

**Infrastructure Modified Approach—**

*If the County is using the modified approach for reporting infrastructure, it must also discuss the following:*

- Significant changes in the assessed condition of eligible infrastructure assets from previous condition assessments.
- How the current assessed condition compares with the condition level the government has established.
- Any significant differences from the estimated annual amount to maintain/preserve eligible infrastructure assets compared with the actual amounts spent during the current period.

**Other Significant Matters—**

*Comment on any facts, decisions, or conditions known by the end of the auditors' fieldwork that could significantly impact the County's financial position or results of operations. Examples of these types of situations include acceptance or termination of major grant awards, claims adjudicated, natural disasters, significant changes in tax rates, pollution remediation obligations, etc. These matters should include situations that occurred during the year and up through the auditors' opinion date and include only known facts, decisions, and conditions.*

\_\_\_\_\_ County  
Statement of Net Position  
June 30, 2013

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
<b>Assets</b>				
Cash and cash equivalents				
Investments				
Cash and investments held by trustee(s)				
Hedging derivative instruments				
Receivables (net of allowances for uncollectibles):				
Property taxes				
Accounts				
Special assessments				
Loans				
Accrued interest				
Other				
Internal balances				
Due from other governments				
Cash and investments held by trustee(s)—restricted				
Inventories				
Prepaid items				
Deferred costs				
Capital assets, not being depreciated				
Capital assets, being depreciated, net				
Total assets	_____	_____	_____	_____
<b>Deferred Outflows of Resources</b>				
Accumulated decrease in fair value of hedging derivatives				
Total deferred outflows of resources	_____	_____	_____	_____
<b>Liabilities</b>				
Accounts payable				
Accrued payroll and employee benefits				
Contracts payable				
Accrued interest				
Forward contract				
Due to other governments				
Deposits held for others				
Deferred revenue				
Noncurrent liabilities				
Due within 1 year				
Due in more than 1 year				
Total liabilities	_____	_____	_____	_____

\_\_\_\_\_ County  
Statement of Net Position  
June 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Deferred Inflows of Resources</b>				
Accumulated increase in fair value of hedging derivatives				
Deferred service concession arrangement receipts				
Total deferred inflows of resources				
<b>Net Position</b>				
Net investment in capital assets				
Restricted for:				
Public safety				
Highways and streets				
Health and welfare				
Education				
Debt service				
Capital projects				
Other purposes <i>Use this line for the accumulation of immaterial restricted amounts.</i>				
Unrestricted (deficit)				
Total net position				

\_\_\_\_\_ County  
Statement of Activities  
Year Ended June 30, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
<b>Primary government:</b>								
Governmental activities:								
General government								
Public safety								
Highways and streets								
Sanitation								
Health								
Welfare								
Culture and recreation								
Education								
Interest on long-term debt								
Total governmental activities								
Business-type activities:								
Landfill								
<i>List any other identifiable activities</i>								
Total business-type activities								
Total primary government								
<b>Component units:</b>								
Private Industry Council								
<i>List any other component units</i>								
Total component units								
General revenues:								
Taxes:								
Property taxes, levied for general purposes								
Property taxes, levied for flood control								
Property taxes, levied for debt service								
Special county taxes <i>List and describe purpose of other county taxes</i>								
Shared revenue—state sales tax								
Shared revenue—state vehicle license tax <sup>1</sup>								
Grants and contributions not restricted to specific programs								
Investment earnings								
Gain on disposal of capital assets								
Miscellaneous								
Special item(s):								
<i>Describe nature of event or transaction</i>								
Extraordinary item(s):								
<i>Describe nature of event or transaction</i>								
Transfers								
Total general revenues, special and extraordinary items, and transfers								
Change in net position								
Net position, July 1, 2012								
Net position, June 30, 2013								

<sup>1</sup>Represents only that portion of the vehicle license tax monies apportioned to the County's general fund. The portion of vehicle license tax monies apportioned for transportation purposes should be reported in program revenues.

\_\_\_\_\_ County  
 Balance Sheet  
 Governmental Funds  
 June 30, 2013

	General Fund	Major Fund	Major Fund	Major Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents						
Investments						
Cash and investments held by trustee(s)						
Receivables (net of allowances for uncollectibles):						
Property taxes						
Accounts						
Special assessments						
Accrued interest						
Other						
Due from:						
Other funds						
Other governments						
Cash and investments held by trustee(s)—restricted						
Inventories						
Prepaid items						
Total assets						
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable						
Accrued payroll and employee benefits						
Contracts payable						
Accrued interest						
Due to:						
Other funds						
Other governments						
Deposits held for others						
Bond interest payable						
General obligation bonds payable						
Special assessment bonds with governmental commitment payable						
Deferred revenue						
Total liabilities						
Fund balances:						
Nonspendable						
Restricted						
Committed						
Assigned						
Unassigned						
Total fund balances						
Total liabilities and fund balances						

\_\_\_\_\_ County  
Reconciliation of the Balance Sheet to the Statement of Net Position  
June 30, 2013

Fund balances—total governmental funds

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Internal service funds are used by management to charge the costs of certain activities, including insurance, automotive maintenance and operation, and telecommunications to individual funds. **Modify as appropriate.** The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. **Modify as appropriate.**

Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Net position of governmental activities

\_\_\_\_\_  
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\_\_\_\_\_ County  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2013

	General Fund	Major Fund	Major Fund	Major Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes						
Special assessments						
Licenses and permits						
Fines and forfeits						
Intergovernmental						
Charges for services						
Investment earnings						
Miscellaneous						
Total revenues	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures:						
Current:						
General government						
Public safety						
Highways and streets						
Sanitation						
Health						
Welfare						
Culture and recreation						
Education						
Debt service:						
Principal						
Interest and other charges						
Bond issuance costs						
Capital outlay						
Total expenditures	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Other financing sources (uses):						
General obligation bonds issued						
Premium/Discount on general obligation bonds						
Special assessment bonds issued						
Revenue bonds issued						
Certificates of participation issued						
Payment to bond refunding escrow agent						
Capital lease agreement(s)						
Installment purchase agreement(s)						
Sale of capital assets						
Transfers in						
Transfers out						
Total other financing sources and uses	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Special item(s):						
<i>Describe nature of event or transaction.</i>						
Extraordinary item(s):						
<i>Describe nature of event or transaction</i>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances						
Fund balances, July 1, 2012						
Changes in nonspendable resources:						
Increase (decrease) in inventories						
Increase (decrease) in prepaid items	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances, June 30, 2013	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

See accompanying notes to financial statements.

December 2013

\_\_\_\_\_ County  
 Reconciliation of the Statement of Revenues, Expenditures,  
 and Changes in Fund Balances to the Statement of Activities  
 Governmental Funds  
 Year Ended June 30, 2013

Net change in fund balances—total governmental funds

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay

Depreciation expense

\_\_\_\_\_

In the Statement of Activities, only the gain/loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the capital assets sold.

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. **OR** Collections of revenues in the governmental funds exceeded revenues reported in the Statement of Activities.

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.

Repayment of debt principal is an expenditure in the governmental funds,

but the repayment reduces long-term liabilities in the Statement of Net Position.

Debt issued or incurred

Principal repaid

Payment to escrow agent for refunding

\_\_\_\_\_

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available.

(Increase **or** Decrease) in compensated absences

(Increase **or** Decrease) in claims and judgments

\_\_\_\_\_

Some cash outlays, such as purchases of inventories, are reported as expenditures in the governmental funds when purchased. In the Statement of Activities, however, they are reported as expenses when consumed.

(Increase **or** Decrease) in inventories

(Increase **or** Decrease) in prepaid items

\_\_\_\_\_

Internal service funds are used by management to charge the costs of certain activities, including insurance, automotive maintenance and operation, and telecommunications, to individual funds. **Modify as appropriate.** The net revenue (expense) of certain internal service funds is reported with governmental activities in the Statement of Activities. **Modify as appropriate.**

\_\_\_\_\_

Change in net position of governmental activities

=====

\_\_\_\_\_ County  
Statement of Net Position  
Proprietary Funds  
June 30, 2013

	Business-Type Activities—Enterprise Funds				Governmental Activities— Internal Service Funds
	Major Fund	Major Fund	Other Enterprise Funds	Total	
<b>Assets</b>					
Current assets:					
Cash and cash equivalents					
Investments					
Receivables (net of allowances for uncollectibles):					
Accounts					
Accrued interest					
Other					
Due from:					
Other funds					
Other governments					
Inventories					
Prepaid items					
Total current assets					
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents					
Investments					
Cash and investments held by trustee(s)					
Deferred charges					
Capital assets, net of accumulated depreciation, where applicable:					
Land					
Utilities systems, net					
Buildings, net					
Equipment, net					
Infrastructure, net					
Intangibles, net					
Construction in progress					
Total capital assets, net					
Total noncurrent assets					
Total assets					

\_\_\_\_\_ County  
Statement of Net Position  
Proprietary Funds  
June 30, 2013

	Business-Type Activities—Enterprise Funds				Governmental Activities— Internal Service Funds
	Major Fund	Major Fund	Other Enterprise Funds	Total	
<b>Liabilities</b>					
Current liabilities:					
Accounts payable					
Accrued payroll and employee benefits					
Contracts payable					
Due to:					
Other funds					
Other governments					
Compensated absences payable, current portion					
Claims and judgments payable, current portion					
Revenue bonds payable, current portion					
Notes payable, current portion					
Capital leases payable, current portion					
Total current liabilities					
Noncurrent liabilities:					
Compensated absences payable					
Claims and judgments payable					
Landfill closure and postclosure care costs payable					
Revenue bonds payable					
Notes payable					
Capital leases payable					
Total noncurrent liabilities					
Total liabilities					
<b>Net Position</b>					
Net investment in capital assets					
Restricted for:					
Debt service					
<i>List and describe purpose of other restrictions.</i>					
Unrestricted (deficit)					
Total net position					

\_\_\_\_\_ County  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
Year Ended June 30, 2013

	Business-Type Activities—Enterprise Funds			Governmental Activities— Internal Service Funds
	Major Fund	Major Fund	Other Enterprise Funds	
Operating revenues:				
Charges for services:				
User charges				
Insurance premiums				
Permits				
Other				
Total operating revenues				
Operating expenses:				
Personal services and employee benefits				
Professional services				
Supplies				
Utilities				
Repairs and maintenance				
Medical claims and services				
Long-term care costs				
Insurance claims and services				
Landfill closure and postclosure care costs				
Depreciation				
Other				
Total operating expenses				
Operating income (loss)				
Nonoperating revenues (expenses):				
Noncapital grants				
Investment earnings				
Miscellaneous revenue				
Interest expense				
Miscellaneous expense				
Gain (Loss) on disposal of capital assets				
Total nonoperating revenues (expenses)				
Income (loss) before contributions, gains, losses, and transfers				
Capital contributions				
Special item(s):				
<i>Describe nature of event or transaction</i>				
Extraordinary item(s):				
<i>Describe nature of event or transaction</i>				
Transfers in				
Transfers out				
Increase (Decrease) in net position				
Total net position, July 1, 2012				
Total net position, June 30, 2013				

\_\_\_\_\_ County  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2013

	Business-Type Activities— Enterprise Funds			Total	Governmental Activities— Internal Service Funds
	Major Fund	Major Fund	Other Enterprise Funds		
Cash flows from operating activities:					
Receipts from customers					
Receipts from other funds for goods and services provided					
Other receipts <i>Describe if necessary</i>					
Payments to suppliers and providers of goods and services					
Payments for employee wages and benefits					
Payments to other funds for goods and services					
Other payments <i>Describe if necessary</i>					
Net cash provided by (used for) operating activities	_____	_____	_____	_____	_____
	_____	_____	_____	_____	_____
Cash flows from noncapital financing activities:					
Noncapital grant receipts					
Cash transfers from other funds					
Cash transfers to other funds					
Net cash provided by (used for) noncapital financing activities	_____	_____	_____	_____	_____
	_____	_____	_____	_____	_____
Cash flows from capital and related financing activities:					
Proceeds from sale of revenue bonds					
Cash contributions for capital purposes					
Proceeds from sale of capital assets					
Purchases of capital assets					
Payments made to contractors					
Principal paid on revenue bond maturities					
Interest paid on revenue bonds					
Net cash provided by (used for) capital and related financing activities	_____	_____	_____	_____	_____
	_____	_____	_____	_____	_____
Cash flows from investing activities:					
Proceeds from sales and maturities of investments					
Interest received on investments					
Purchases of investments					
Net cash provided by (used for) investing activities	_____	_____	_____	_____	_____
	_____	_____	_____	_____	_____
Net increase (decrease) in cash and cash equivalents					
Cash and cash equivalents, July 1, 2012	_____	_____	_____	_____	_____
Cash and cash equivalents, June 30, 2013	=====	=====	=====	=====	=====

If statement of net position line items are other than cash and cash equivalents, provide a reconciliation.

\_\_\_\_\_ County  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2013

	Business-Type Activities— Enterprise Funds			Governmental Activities— Internal Service Funds
	Major Fund	Major Fund	Other Enterprise Funds	
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)				
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation				
Amortization				
Provision for uncollectible accounts				
Expenses incurred but not reported				
Changes in assets and liabilities:				
Increase in:				
<b>List appropriate assets and liabilities.</b>				
Decrease in:				
<b>List appropriate assets and liabilities.</b>				
Net cash provided by (used for) operating activities				

Noncash investing, capital, and noncapital financing activities: **Information about all investing, capital, and noncapital financing activities of a governmental enterprise during a period that affects recognized assets, deferred outflows of resources, liabilities, or deferred inflows of resources but does not result in cash receipts or cash payments in the period should be reported. This information should be presented in a separate schedule, which may be in either a narrative or a tabular format, and it should clearly describe the cash and noncash aspects of transactions involving similar items. The schedule may be presented, if space permits, on the same page as the statement of cash flows.**

\_\_\_\_\_ County  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2013

	<u>Investment Trust Funds</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents		
Interest and dividends receivable		
Investments, at fair value		
Total assets	_____	_____
	_____	=====
<b>Liabilities</b>		
Due to other governments <i>for agency fund use only</i>		
Deposits held for others <i>for agency fund use only</i>		
Total liabilities	_____	_____
	_____	=====
<b>Net Position</b>		
Held in trust for investment trust participants	_____	
	=====	

\_\_\_\_\_ County  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
Year Ended June 30, 2013

	<u>Investment Trust Funds</u>
Additions:	
Contributions from participants	
Investment earnings:	
Interest and dividends	
Net increase (decrease) in fair value of investments	_____
Total investment earnings	_____
Less investment expense	_____
Net investment earnings	_____
Total additions	_____
Deductions:	
Distributions to participants	
Other	_____
Total deductions	_____
<b>Change in net position</b>	
<b>Net position, July 1, 2012</b>	_____
<b>Net position, June 30, 2013</b>	=====

\_\_\_\_\_ County  
Notes to Financial Statements  
June 30, 2013

**Note to preparers: In GASB Statement No. 38, the GASB emphasized that disclosure of immaterial information can be misleading and cited the following guidance in paragraph 6 of NCGA Interpretation 6:**

***The notes to financial statements should not be cluttered with unnecessary and immaterial disclosures. Attendant circumstances and materiality must be considered in assessing the propriety of the notes to the financial statements disclosures.***

**The 2012 GAAFR also emphasizes the importance of including only material disclosures and discourages negative disclosures such as “there are no subsequent events to report.” See GAAFR, p. 346 for more information.**

## Note 1 - Summary of Significant Accounting Policies

\_\_\_\_\_ County’s accounting policies conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

**Add the following paragraph if implementation of GASB Statement Nos. 60 through 63 had a material effect on the County’s financial statements. GASB Statement No. 60 applies to very specific accounting and reporting matters and will only apply to a very limited number of governmental entities.**

For the year ended June 30, 2013, the County implemented the provisions of GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*; GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 60 improves consistency in financial reporting for service concession arrangements. GASB Statement No. 61 modifies existing requirements for determining which component units should be included in the financial reporting entity and the related display and disclosure requirements. GASB Statement No. 62 incorporates certain accounting and financial reporting guidance in FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins into GASB’s authoritative literature. GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

### A. Reporting Entity

The County is a general purpose local government that is governed by a separately elected board of \_\_\_\_\_ county supervisors. The accompanying financial statements present the activities of the County (the primary government) and its component units.

County

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Notes to Financial Statements  
June 30, 2013

Component units are legally separate entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are so intertwined with the County that they are in substance part of the County's operations. **Component units should be blended in the County's financial statements when the component unit's governing body is substantively the same as the County's governing body and there is either a financial benefit or burden relationship between the County and the component unit or county management has operational responsibility for it; the component unit provides services entirely, or almost entirely, to the County; or the component unit's total debt outstanding is expected to be repaid entirely or almost entirely with the County's resources. Also, see GASB Statement Nos. 14 and 61 for additional guidance.** Therefore, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County. Each blended component unit discussed below has a June 30 year-end. The County has no discretely presented component units. **Or instead, if applicable.** Each blended and discretely presented component unit discussed below has a June 30 year-end. **Modify as necessary.**

The following table describes the County's component units:

Component Unit	Description; Criteria for Inclusion	Reporting Method	For Separate Financial Statements
_____ County Flood Control District	A tax-levying district that provides flood control systems; the County's Board of Supervisors serves as the board of directors <b>and describe other criteria</b>	Blended	Not available <b>OR</b> <b>Provide address to request financial statements.</b>
_____ County Library District	Provides and maintains library services for the County's residents; the County's Board of Supervisors serves as the board of directors <b>and describe other criteria</b>	Blended	Not available <b>OR</b> <b>Provide address to request financial statements.</b>
_____ County Stadium District	Provides regional leadership and fiscal resources to ensure the presence of major league baseball in the County; the County's Board of Supervisors serves as the	Blended	Not available <b>OR</b> <b>Provide address to request financial statements.</b>

County

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Notes to Financial Statements  
June 30, 2013

Component Unit	Description; Criteria for Inclusion	Reporting Method	For Separate Financial Statements
_____ County Special Assessment Districts	board of directors <b>and describe other criteria</b>  Constructs or improves sidewalks, curbs and gutters, irrigation systems, and street lighting within the County; the County's Board of Supervisors serves as the board of directors <b>and describe other criteria</b>	Blended	Not available <b>OR</b> <b>Provide address to request financial statements.</b>
_____ County Street Lighting Districts	Operates and maintains street lighting in areas outside local city jurisdictions; the County's Board of Supervisors serves as the board of directors <b>and describe other criteria</b>	Blended	Not available <b>OR</b> <b>Provide address to request financial statements.</b>
_____ County Municipal Property Corporation (MPC)	A nonprofit corporation that assists in the acquisition of tangible real and personal property; the County's Board of Supervisors appoints all members of the governing board, is able to impose its will on the MPC, and <b>the MPC</b> exists only to serve the County	Blended	Not available <b>OR</b> <b>Provide address to request financial statements.</b>
_____ County Jail District	A tax-levying district that acquires, constructs, operates, maintains, and finances county jails and jail systems; the County's Board of Supervisors serves as the governing board <b>and describe other criteria</b>	Blended	Not available <b>OR</b> <b>Provide address to request financial statements.</b>

\_\_\_\_ County  
 Notes to Financial Statements  
 June 30, 2013

Component Unit	Description; Criteria for Inclusion	Reporting Method	For Separate Financial Statements
____ County Private Industry Council	Administers and coordinates Workforce Investment Act programs; the County's Board of Supervisors appoints all members of the governing board and is able to impose its will on the Council, but the Council does not provide services entirely to the County	Discrete	Not available <b>OR</b> <b><i>Provide address to request financial statements.</i></b>

***In addition, for each major component unit, the County must disclose the nature and amount of significant transactions with the primary government and other component units. See GASB Statement No. 34, paragraph 128.***

### B. Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the County as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

**Government-wide statements**—Provide information about the primary government (the County) and its component units. The statements include a statement of net **position** and a statement of activities. These statements report the overall government's financial activities, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the County and between the County and its discretely presented component units. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County does not allocate indirect expenses to programs or functions. ***Modify as appropriate.*** Program revenues include:

County

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Notes to Financial Statements  
June 30, 2013

- charges to customers or applicants for goods, services, or privileges provided;
- operating grants and contributions; and
- capital grants and contributions, including special assessments.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes levied or imposed by the County, are reported as general revenues.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double-counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

**Fund financial statements**—Provide information about the County's funds, including fiduciary funds and blended component units. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary fund revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses generally result from transactions associated with the fund's principal activity. Accordingly, revenues, such as user charges and insurance premiums **modify as appropriate and describe any other examples of significant operating revenues of the proprietary funds**, in which each party receives and gives up essentially equal values, are operating revenues. Other revenues, such as subsidies, result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues along with investment earnings and revenues generated by ancillary activities. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered to be nonoperating expenses. **Modify as appropriate in accordance with GASB Statement No. 34, ¶102.**

The County reports the following major governmental funds:

The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The \_\_\_\_\_ *Fund* accounts for **explain fund's purpose. Also, for each major special revenue fund identify the significant revenues and other financing sources of the fund as required by GASB 54, paragraph 32. Repeat for each major governmental fund.**

The County reports the following major enterprise funds:

The \_\_\_\_\_ *Fund* accounts for **explain fund's purpose. Repeat for each major enterprise fund.**

The County reports the following fund types:

County

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Notes to Financial Statements  
June 30, 2013

The *internal service funds* account for automotive maintenance and operation, insurance, and telecommunications services **modify as appropriate and describe any other goods or services applicable to the County's internal service funds** provided to the County's departments or to other governments on a cost-reimbursement basis.

The *investment trust funds* account for pooled and nonpooled **delete reference to nonpooled assets if there are no individual investment accounts** assets the County Treasurer holds and invests on behalf of other governmental entities.

The *agency funds* account for assets the County holds as an agent for the State, cities, towns, and other parties. **Modify as appropriate.**

### C. Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The agency funds are custodial in nature and do not have a measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Under the terms of grant agreements, the County funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there is both restricted and unrestricted resources available to finance the program. The County applies grant resources to such programs before using general revenues. **Modify if the County's policy is to apply unrestricted revenues first. This policy should be consistent with the flow assumption used for single audit and AELR purposes.**

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The County's major revenue sources that are susceptible to accrual are property taxes, special assessments, intergovernmental, charges for services, and investment earnings. **Add or delete major revenue sources that are susceptible to accrual from this listing as necessary.** Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, landfill closure and postclosure care costs, and pollution remediation obligations, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds.

County

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Notes to Financial Statements  
June 30, 2013

Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

#### D. Cash and Investments

***Add the following paragraph to define cash and cash equivalents of the proprietary funds.***

For purposes of its statement of cash flows, the County considers cash on hand, demand deposits, cash on deposit with the County Treasurer, and only those highly liquid investments with a maturity of 3 months or less when purchased to be cash equivalents. ***Modify as appropriate.***

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest-earning investment contracts with a remaining maturity of 1 year or less at the time of purchase are stated at amortized cost. All (other) investments are stated at fair value. ***Modify the disclosure as necessary to describe the County's policy for valuing investments. Also, describe the methods and significant assumptions used to estimate fair value if it is based on other than quoted market prices.***

***If investments are negotiable or transferable, causing their value to be affected by changes in the market or interest rates, the County should report those investments at fair value. However, if investments are not negotiable or transferable, and therefore not affected by changes in the market or interest rates, the County should report those investments at amortized cost. Further, if those same investments are money market investments or interest-earning contracts that were not a part of the treasurer's pool and were purchased within 1 year of their maturity, the County may report them at amortized cost.***

#### E. Inventories

Inventories in the government-wide and proprietary funds' financial statements are recorded as assets when purchased and expensed when consumed. These inventories are stated at cost using the ***describe method of valuation*** and ***describe method of valuation***, respectively.

The County accounts for its inventories in the governmental funds using the purchase method. Inventories of the governmental funds consist of expendable supplies held for consumption and are recorded as expenditures at the time of purchase. Amounts on hand at year-end are shown on the balance sheet as an asset for informational purposes only and as nonspendable fund balance to indicate that they do not constitute "available spendable resources." These inventories are stated at cost using the ***describe method of valuation. When the consumption method is used to account for inventories of the governmental funds, the above paragraph should be modified accordingly.***

#### F. Property Tax Calendar

County  
 Notes to Financial Statements  
 June 30, 2013

The County levies real and personal property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

### G. Capital Assets

Capital assets are reported at actual cost (, or estimated historical cost if historical records are not available). Donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<b>Capitalization Threshold</b>		<b>Depreciation Method</b>	<b>Estimated Useful Life</b>
Land				
Buildings				
Equipment				
Infrastructure <i>(may list systems separately)</i>				
Intangibles <i>(may list by major categories)</i>				

### H. Fund Balance Classifications

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, such as inventories, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, or laws and regulations.

County

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Notes to Financial Statements  
June 30, 2013

The unrestricted fund balance category is composed of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations approved by the County's Board of Supervisors, which is the highest level of decision-making authority within the County. The constraints placed on committed fund balances can be removed or changed by only the Board. **Modify as necessary to describe the formal action needed to establish, modify, or rescind the commitment.**

Assigned fund balances are resources constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Supervisors has authorized the county manager, \_\_\_\_\_, and \_\_\_\_\_, **(modify as necessary)** to make assignments of resources for a specific purpose. **Modify as necessary to describe the officials authorized to make assignments and the policy pursuant to which authorization is given.**

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it's the County's policy to use (the County will use) restricted fund balance first. For the disbursement of unrestricted fund balances, it is the County's policy to use (the County will use) committed amounts first, followed by assigned amounts, and lastly unassigned amounts. **Modify as necessary to describe the County's hierarchy for use of its fund balances. If the County does not have a formal policy for its use of unrestricted fund balance amounts, it should consider that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.**

## I. Investment Earnings

Investment earnings is composed of interest, dividends, and net changes in the fair value of applicable investments.

## J. Compensated Absences

Compensated absences payable consists of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered.

Employees may accumulate up to \_\_\_ hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount that are unused at (fiscal/calendar) year-end are forfeited. Upon terminating employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the government-wide and proprietary funds' financial statements. A liability for these amounts is reported in the

County

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Notes to Financial Statements  
June 30, 2013

governmental funds' financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal year-end. **Modify as necessary.**

Employees may accumulate an unlimited number of sick leave hours. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon terminating employment. Because sick leave benefits do not vest with employees, a liability for sick leave benefits is not accrued in the financial statements. **If the County has chosen to apply the provisions of A.R.S. §38-615 for retiree accumulated sick leave, add the following:** However, upon retirement, employees who have accumulated at least 500 hours of sick leave receive some benefit payments. Benefit payments vary based on the number of hours accumulated, but cannot exceed \$30,000. The County makes contributions each pay period to the State's Retiree Accumulated Sick Leave Fund for each employee, and the State makes benefit payments directly to the retired employees. Consequently, the County has not accrued a liability for these sick leave benefits. **If the County has other provisions for vested sick leave, add the following instead and modify as appropriate.** However, for employees who **describe the circumstances (for example, employees with a certain number of years of service and/or over a certain age)**, sick leave benefits do vest and, therefore, are accrued as a liability in the government-wide and proprietary funds' financial statements. A liability for these amounts is reported in the governmental funds' financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal year-end.

Note \_ - Reconciliations of Certain Information in Governmental Fund Statements to Information in Government-wide Statements

***If aggregated information presented in the reconciliations of the government-wide financial statements to the fund statements obscures the nature of the individual elements of a particular reconciling item, provide details about those reconciling items here. See GASB Statement No. 34, paragraph 77.***

Note \_ - Stewardship, Compliance, and Accountability

***Violations of finance-related legal and contractual provisions—Disclose any significant violations of finance-related legal and contractual provisions, for example, violations of A.R.S. requirements for collateralization of county deposits and requirements for the types and maturities of county investments, violations of A.R.S. requirements governing county budgeting including actual expenditures exceeding budgeted expenditures at the department level, and violations of bond covenants. See GASB Cod. §1200 for additional guidance. Also, disclose actions taken to address such violations as required by GASB Statement No. 38, ¶19.***

***Disclose deficit fund balance or net position of individual nonmajor funds since it cannot be seen in the aggregated nonmajor funds column. See GASB Codification §2300.106.***

**Deficit fund balances or net position**—At June 30, 2013, the following nonmajor funds reported

County

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Notes to Financial Statements  
June 30, 2013

deficits in fund balance or net position. **Modify as necessary.**

Fund	Deficit
Governmental funds: <b>List individual funds</b>	
Proprietary funds: <b>List individual funds</b>	

Note \_ - Deposits and Investments

***The required GASB risk disclosures for deposits and investments should be made for the primary government, including its blended component units. Risk disclosures should also be made for the governmental and business-type activities, individual major funds, nonmajor funds in the aggregate, or fiduciary fund types when the risk exposures are significantly greater than the deposit and investment risks of the primary government. For example, a primary government's total investments may not be exposed to concentration of credit risk. However, if the County has all of its investments in one issuer for an opinion unit, disclosure should be made for the opinion unit's exposure to concentration of credit risk.***

Arizona Revised Statutes (A.R.S.) authorize the County to invest public monies in the State Treasurer's investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds and notes; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper, bonds, debentures, and notes issued by corporations organized and doing business in the United States; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the County Treasurer may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

Credit risk

Statutes have the following requirements for credit risk:

1. Commercial paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency.
2. Corporate bonds, debentures, and notes must be rated within the top three ratings by a nationally recognized rating agency.
3. Fixed income securities must carry one of the two highest ratings by Moody's investors service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk

Statutes require collateral for deposits and certificates of deposit at 101 percent of all deposits not covered by federal depository insurance.

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Concentration of credit risk

Statutes do not include any requirements for concentration of credit risk.

Interest rate risk

Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years. **The maximum maturity for investments in repurchase agreements is 180 days.**

Foreign currency risk

Statutes do not allow foreign investments.

**Deposits**—At June 30, 2013, the carrying amount of the County's deposits was \$\_\_\_\_\_, and the bank balance was \$\_\_\_\_\_. ***Describe the County's formal policy with respect to custodial credit risk or indicate that the County does not have a policy. If the County has any deposits that are category 3 at June 30, 2013, add the following recap and modify as necessary.***

At June 30, 2013, \$\_\_\_\_\_ of the County's bank balance was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$
Uninsured with collateral held by the pledging financial institution	
Uninsured with collateral held by the pledging financial institution's trust department or agent but not in the County's name	
	_____
	\$_____

***According to the GASB Comprehensive Implementation Guide—2012-2013, question 1.39.1, nonnegotiable CDs are time deposits that should be treated as deposits and negotiable CDs are securities that should be treated as investments for purposes of GASB Statement 3 and 40 disclosures.***

**Investments**—The County's investments at June 30, 2013, were as follows:

***Investments with significantly different risk profiles should not be aggregated into a single investment type for all investment disclosures, as applicable. See question 1.3.2 in the GASB Comprehensive Implementation Guide—2012-2013.***

Investment Type	Amount
State Treasurer's investment pools	\$
U.S. Treasury securities	
U.S. agency securities	
Repurchase agreements	
Local government bonds	_____

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\$ \_\_\_\_\_

The State Board of Investment provides oversight for the State Treasurer’s pools. The fair value of a participant’s position in the pool approximates the value of that participant’s pool shares, and the participant’s shares are not identified with specific investments.

**Credit Risk**—*Briefly describe the County’s formal investment policy with respect to credit risk or indicate that it does not have one.* At June 30, 2013, credit risk for the County’s investments was as follows: **Modify as necessary.**

Investment Type	Rating	Rating Agency	Amount
U.S. agency securities			\$
Repurchase agreements			
Local government bonds			
Local government bonds			
State Treasurer’s investment pool 5	AAAf/S1+	Standard and Poor’s	
State Treasurer’s investment pool 7	Unrated	Not applicable	_____
			\$ _____

**Disclose the credit quality ratings of investments in debt securities as described by nationally recognized statistical rating agencies as of June 30, 2013, by aggregating investment amounts by investment type and rating categories. When multiple ratings exist and the county is aware of the different ratings, the rating with the greatest degree of risk should be presented. Obligations of the U.S. government and obligations explicitly guaranteed by the U.S. government do not require disclosure of credit risk. However, obligations of government-sponsored enterprises that are implicitly guaranteed by the U.S. government are subject to credit risk disclosures. See question 1.9.7 in the GASB Comprehensive Implementation Guide—2012-2013 for more information. Repurchase agreements are not subject to credit risk if the securities underlying the repurchase agreements are exempt from credit risk disclosures. See question 1.9.10 in the GASB Comprehensive Implementation Guide—2012-2013. If credit risk disclosure is required and the investment is unrated, the disclosure should indicate that fact. See Illustrations 1–4 in GASB Statement No. 40 for additional examples of required disclosures.**

**Custodial credit risk**—For an investment, custodial credit risk is the risk that, in the event of the counterparty’s failure, the County will not be able to recover the value of its investments or collateral securities that are in an outside party’s possession. **Briefly describe the County’s formal investment policy with respect to custodial credit risk or indicate that it does not have one. If the County has any investments that are category 3 at June 30, 2013, add the following and modify as necessary.** At June 30, 2013, the County had \$ \_\_\_\_\_ of **name of investment type** that **was** uninsured and held by the counterparty not in the County’s name and \$ \_\_\_\_\_ of **name of investment type** that **was** uninsured and held by the counterparty’s trust department or agent not in the County’s name. **Disclose amounts by investment type and how the investments were held. See Illustration 1 in GASB Statement No. 40 for an example**

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*of required disclosure. Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk. (GASB Statement No. 40, paragraph 9.)*

*Normally, cash and investments held by trustees are category 3 (see questions 1.16.4 and 1.16.5 of the GASB Comprehensive Implementation Guide—2012-2013).*

**Concentration of credit risk**—*Briefly describe the County’s formal investment policy with respect to concentration of credit risk or indicate that it does not have one.* The County had investments at June 30, 2013, of 5 percent or more in \_\_\_\_\_ and \_\_\_\_\_. These investments were \_\_\_ percent and \_\_\_ percent, respectively, of the County’s total investments. **Modify as necessary depending on the number of investments in any one issuer of 5 percent or more. See Illustration 2 in GASB Statement No. 40 for an example of required disclosure. Investments in obligations of the U.S. government and obligations explicitly guaranteed by the U.S. government, and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. (GASB Statement No. 40, paragraph 12)**

**Interest rate risk**—*Briefly describe the County’s formal investment policy with respect to interest rate risk or indicate that it does not have one. See Illustrations 1-5 in GASB Statement No. 40 for examples of required disclosure. Investments should be listed by investment type, unless otherwise required, and amount using one of the following interest rate risk methods (i.e., segmented time distribution, specific identification, weighted average maturity, duration, or simulation model). Governments are encouraged to select the disclosure method that is most consistent with the method they use to identify and manage interest rate risk.*

*The interest rate risk disclosure for a government’s investments in mutual funds, external investment pools, or other pooled investments should be limited to investments in debt mutual funds, external debt investment pools, or other pooled debt investments that do not meet the requirements to be reported as a 2a7-like pool. (GASB Statement No. 59, paragraph 6)*

At June 30, 2013, the County had the following investments in debt securities:

**Segmented Time Distribution Example**

Investment Type	Amount	Investment Maturities			
		Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
State Treasurer’s investment pools	\$	\$	\$	\$	\$
U.S. Treasury securities					
U.S. agency securities					
Repurchase agreements					
Local government bonds					
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

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OR

**Specific Identification Example**

Investment	Maturity	Amount
State Treasurer's investment pool 5		\$
State Treasurer's investment pool 7		
U.S. Treasury bills ( <i>list each investment separately</i> )		
Federal National Mortgage Association ( <i>list each investment separately</i> )		
		_____
		\$ _____

OR

**Weighted Average Maturity Example**

Investment Type	Amount	Weighted Average Maturity (Years) or (Months)
State Treasurer's investment pool 5	\$	
State Treasurer's investment pool 7		
U.S. Treasury securities		
U.S. agency securities		
Local government bonds		
	_____	
	\$ _____	

**See Illustration 3 in GASB Statement No. 40 for an example of how to calculate weighted average maturity.**

OR

**Duration—See Illustration 4 in GASB Statement No. 40.**

OR

**Simulation Model—See Illustration 5 in GASB Statement No. 40**

**The County must also disclose the terms of investments with fair values that are highly sensitive to changes in interest rates. See Illustration 7 in GASB Statement No. 40 for an example of this required disclosure. Further, if a method requires an assumption regarding timing of cash flows (for example, whether an investment is or is not assumed to be called), interest rate changes, or other factors that affect interest rate information, that assumption should be disclosed.**

**Foreign currency risk—If the County's deposits or investments held at year end were exposed to foreign currency risk disclose the following: briefly describe the County's formal investment policy with respect to foreign currency risk or indicate that it does not have**

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**one. Also, the County should disclose the U.S. dollar balances of deposits or investments exposed to foreign currency risk organized by currency denomination and investment type. See Illustration 8 in GASB Statement No. 40 for an example of required disclosure.**

A reconciliation of cash, deposits, and investments to amounts shown on the Statements of Net Position follows:

Cash, deposits, and investments:	
Cash on hand	\$
Amount of deposits	
Amount of investments	
Total	\$

	Governmental Activities	Business-Type Activities	Investment Trust Funds	Agency Funds	Total
Statement of Net Position:					
Cash and cash equivalents	\$	\$	\$	\$	\$
Investments					
Cash and investments held by trustee(s)					
Total	\$	\$	\$	\$	\$

Note \_ - Receivables

***If the County had significant individual receivable accounts whose nature is obscured by aggregation, provide details about those accounts here. Also, describe any receivable balance not expected to be collected within 1 year. See GASB Statement No. 38, ¶13.***

Note \_ - Sale of Future Revenues

***If the County sold future revenue streams, the County should disclose information about the specific revenues sold in the year of sale. See GASB Statement No. 48, paragraph 22 for the specific information that needs to be disclosed.***

Note \_ - Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land				
Construction in progress				
Total capital assets not being depreciated				

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Capital assets being depreciated:				
Buildings				
Equipment				
Infrastructure <i>(may list systems separately)</i>				
Intangibles <i>(may list by major categories)</i>				
Total				
Less accumulated depreciation for:				
Buildings				
Equipment				
Infrastructure <i>(may list systems separately)</i>				
Intangibles <i>(may list by major categories)</i>				
Total				
Total capital assets being depreciated, net				
Governmental activities capital assets, net				
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land				
Construction in progress				
Total capital assets not being depreciated				
Capital assets being depreciated:				
Buildings				
Utility systems				
Equipment				
Intangibles <i>(may list by major categories)</i>				
Total				
Less accumulated depreciation for:				
Buildings				
Utility systems				
Equipment				
Intangibles <i>(may list by major categories)</i>				
Total				
Total capital assets being depreciated, net				
Business-type activities capital assets, net				

***If the County has any collections (such as art or historical treasures) that are not capitalized, describe the collection and disclose why the assets are not capitalized. See GASB Statement No. 34, ¶118.***

Depreciation expense was charged to functions as follows:

- Governmental activities:
- General government
- Public safety
- Highways and streets
- Sanitation
- Health

County

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Welfare	
Culture and recreation	
Education	
Internal service funds	
Total governmental activities depreciation expense	_____
	=====
Business-type activities:	
Landfill	
<b>List other activities</b>	
Total business-type activities depreciation expense	_____
	=====

Note \_ - Construction and Other Commitments

The County had major contractual commitments related to various capital projects at June 30, 2013, for the construction of **(list projects)**. At June 30, 2013, the County had spent \$\_\_\_\_\_. on these projects and had remaining contractual commitments with contractors of \$\_\_\_\_\_. These projects are being financed **(describe source of payment/financing and terms of the commitment)**.

**If the County had other significant commitments provide a description of the commitment, dollar amounts and basic terms of the commitment, including amounts spent to date and amounts remaining under the commitment, and source of payment.**

Note \_ - Restricted Assets

**If the nature and purpose of restricted assets is obscured by aggregation or otherwise not sufficiently explained in the financial statements, provide that information here.**

Note \_ - Derivatives

**Common types of derivative instruments used by governments include interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swaptions, forward contracts, and futures contracts. GASB Statement No. 53 specifies the disclosure requirements for derivative instruments. The disclosure should include a summary of the County's derivative instrument activity during the fiscal year and balances at year end, paragraph 69. Additional disclosures are required for hedging derivative instruments, paragraphs 70-75; investment derivative instruments, paragraph 76; contingency features, paragraph 77; hybrid instruments, paragraph 78; and synthetic guaranteed investment contracts, paragraph 79. Place disclosure in the applicable assets, deferred outflows of resources, liabilities, or deferred inflows of resources sections, as appropriate.**

Note \_ - Short-Term Liabilities

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**Payables**—If the County had significant individual payable accounts whose nature is obscured by aggregation, provide details about those accounts here. See GASB Statement No. 38, ¶13.

**Short-term debt**—If the County had short-term debt (e.g., anticipation notes, lines of credit, and similar loans) activity during the year, even if no short-term debt is outstanding at year end, the County should explain why the debt was issued and present a schedule of changes that discloses beginning and ending balances as well as increases and decreases. See GASB Statement No. 38, ¶12.

**Note \_ - Service Concession Arrangement for \_\_\_\_\_**

**The disclosure should include a general description of the arrangement including management’s objective for entering into it and, if applicable, the project’s status during the construction period; the nature and amounts of assets, liabilities, and deferred inflows of resources that have been recognized in the financial statements; the nature and extent of rights retained by the transferor or granted to the governmental operator; and identification, duration, and significant contract terms of any guarantees or commitments. See GASB Statement No. 60, paragraphs 16 and 17, for more information.**

**Note \_ - Long-Term Liabilities**

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Due within 1 year
<b>Governmental activities</b>					
Bonds payable:					
General obligation bonds					
Revenue bonds					
Special assessment bonds with governmental commitment					
Discounts/premiums					
Deferred amount on refunding					
Total bonds payable					
Certificates of participation payable					
Installment purchase contracts payable					
Capital leases payable					
Landfill closure and post- closure care costs payable					
Insurance claims payable					

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	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Due within 1 year
Compensated absences payable					
Claims and judgments payable					
Pollution remediation obligations					
<b>Add other line items as needed</b>	_____	_____	_____	_____	_____
Total governmental activities long-term liabilities	_____	_____	_____	_____	_____
<b>Business-type activities</b>					
Revenue bonds payable					
Discounts/premiums					
Deferred amount on refunding					
Total bonds payable	_____	_____	_____	_____	_____
Notes payable					
Capital leases payable					
Landfill closure and postclosure care costs payable					
Compensated absences payable					
Claims and judgments payable					
Pollution remediation obligations					
<b>Add other line items as needed</b>	_____	_____	_____	_____	_____
Total business-type activities long-term liabilities	_____	_____	_____	_____	_____

**Bonds**—The County’s bonded debt consists of various issues of general obligation, revenue, and special assessment bonds that are generally callable (noncallable) with interest payable semiannually (annually). Bond proceeds primarily pay for acquiring or constructing capital facilities. Bonds have also been issued to advance-refund previously issued bonds. The County repays general obligation bonds from voter-approved property taxes. Revenue bonds are repaid from charges for services in the \_\_\_\_\_ funds. Special assessment bonds are secured by pledges of revenues from special assessments levied against the benefiting property owners. **Include as applicable.** The original amounts of general obligation bonds, revenue bonds, and special assessment bonds issued in prior years were \$\_\_\_\_\_, \$\_\_\_\_\_, and \$\_\_\_\_\_, respectively. During the year, the County issued general obligation bonds totaling \$\_\_\_\_\_ to **describe the purpose**. In addition, revenue bonds totaling \$\_\_\_\_\_ were issued to **describe the purpose**.

Of the total amount(s) originally authorized, \$\_\_\_\_\_ remains unissued. **If all the authorized bonds were issued, delete the preceding sentence.** Bonds outstanding at June 30, 2013, were as follows:

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Description	Original Amount Issued	Maturity Ranges	Interest Rates	Outstanding Principal
General obligation bonds				
General obligation bonds— refunding				
Revenue bonds				
Revenue bonds—refunding				
Special assessment bonds with governmental commitment				

*If issuing a CAFR for the GFOA certificate program, it is recommended that the County disclose the information above for each debt issuance. The County should also describe the applicability of federal arbitrage regulations and legal debt limit/margin.*

*If sinking or maintenance fund contributions are required under the terms of any bond indentures, disclose the requirements.*

The following schedule details debt service requirements to maturity for the County's bonds payable at June 30, 2013:

Year ending June 30	Governmental Activities						Business-Type Activities	
	General Obligation Bonds		Revenue Bonds		Special Assessment Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014								
2015								
2016								
2017								
2018								
2019-23								

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2024-28	_____	_____	_____	_____	_____	_____	_____	_____
2029-33	_____	_____	_____	_____	_____	_____	_____	_____
2034-38	_____	_____	_____	_____	_____	_____	_____	_____
2039-43	_____	_____	_____	_____	_____	_____	_____	_____
Total	=====	=====	=====	=====	=====	=====	=====	=====

*If the County has variable-rate debt, disclose interest requirements based on the rate effective at the end of the reporting year. In addition, the County should add a paragraph following the table that discloses the terms under which interest rates may change. See GASB Statement No. 38, ¶10.*

*Pledged revenues are those specific revenues that have been formally committed to directly collateralize or secure debt (e.g., bonds, COPs, etc.) of a pledging government, or directly or indirectly collateralize or secure debt of a component unit. For each period in which secured debt remains outstanding, the District must disclose the following:*

- a. Identification of the specific revenue pledged and the approximate amount of the pledge,*
- b. Identification of, and general purpose for, the debt secured by the pledged revenue,*
- c. Term of the commitment,*
- d. Relationship of the pledged amount to the total for that specific revenue stream (i.e., percent of the specific revenue stream that has been pledged),*
- e. Comparison of the pledged revenues recognized during the period to the principal and interest requirements for the debt directly or indirectly collateralized by those revenues.*

**See GASB Statement No. 48, paragraph 21 for more information regarding the disclosure requirements for pledged revenues. Also, see Appendix D, Examples 1-3 in GASB Statement No. 48 for examples of required disclosure.**

During the year ended June 30, 2013, the County issued general obligation (revenue) bonds with an average interest rate of \_\_\_ percent to advance-refund older, higher-rate issues with an average interest rate of \_\_\_ percent. The County realized net proceeds of \$\_\_\_\_\_ after payment of \$\_\_\_\_\_ in underwriting fees, insurance, and other issuance costs, plus \$\_\_\_\_\_ of \_\_\_\_\_ sinking fund monies. These proceeds were used to purchase securities that were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. The refunded debt is considered defeased, and related liabilities are not included in the County's financial statements. Details of the refunding transactions are as follows:

	<b>Bond Category</b>
Amount of refunding bonds issued	
Amount of bonds refunded	
Reduction in debt service payments	
Economic gain(loss)	

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**Complete the above schedule and applicable portions of the preceding paragraph for the fiscal year in which a bond refunding occurs.**

**In all periods following an advance refunding for which bonds defeased in substance remain outstanding, the amount of those bonds, if any, outstanding at fiscal year end should be disclosed in the following paragraph.**

In prior years, the County defeased certain general obligation and revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for these defeased bonds are not included in the County's financial statements. At June 30, 2013, the following outstanding bonds were considered defeased:

Description	Amount (Principal balance of defeased bonds outstanding at June 30, 2013.)
General obligation bonds	
Revenue bonds	

**If the refunded (old) debt is variable-rate debt, it cannot be considered defeased because of the uncertainty of the future debt service requirements. It is possible to defease old fixed-rate debt with new variable-rate debt, but additional disclosures should be made. See footnote 4 of GASB Statement No. 7 for additional details.**

**Certificates of participation**—The County has issued certificates of participation that are generally callable (noncallable) with interest payable semiannually (annually) to purchase or construct **describe the assets**. The original amount of certificates issued in prior years was \$\_\_\_\_. During the year, the County issued certificates totaling \$\_\_\_\_ to **describe the purpose**.

Of the total amount(s) originally authorized, \$\_\_\_\_ remains unissued. **If all the authorized certificates were issued, delete the preceding sentence.** Certificates outstanding at June 30, 2013, were as follows:

Description	Original Amount Issued	Maturity Ranges	Interest Rates	Outstanding Principal
<i>List by COP issue</i>				_____ _____

**Describe other significant features of certificates of participation issues. Also, if the County advance-refunded any certificates of participation during the fiscal year, modify the wording in the second to the last paragraph of the bonds payable note accordingly.**

**In all periods following an advance refunding for which COPs defeased in substance remain outstanding, the amount of those COPs, if any, outstanding at fiscal year end should be disclosed. Modify the wording of the last paragraph of the bonds payable note**

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**accordingly.**

The following schedule details debt service requirements to maturity for the County's certificates of participation payable at June 30, 2013:

Year ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2014				
2015				
2016				
2017				
2018				
2019-23				
2024-28				
2029-33				
2034-38				
2039-43				
Total				

**Installment purchase contracts**—The County has acquired *describe assets by major classes* under contract agreements at a total purchase price of \$\_\_\_\_. The following schedule details debt service requirements to maturity for the County's installment purchase contracts payable at June 30, 2013:

Year ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2014				
2015				
2016				
2017				
2018				
2019-23				
2024-28				
2029-33				
Total				

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**Capital leases**—The County has acquired *describe assets by major classes* under the provisions of various long-term lease agreements classified as capital leases for accounting purposes because they provide for a bargain purchase option or a transfer of ownership by the end of the lease term. **Modify accordingly.**

The assets acquired through capital leases are as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
<b>List major class of assets</b>		
Less: accumulated depreciation	_____	_____
Carrying value	<u>_____</u>	<u>_____</u>

The following schedule details debt service requirements to maturity for the County's capital leases payable at June 30, 2013:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Year ending June 30		
2014		
2015		
2016		
2017		
2018		
2019-23		
2024-28		
Total minimum lease payments	_____	_____
Less amount representing executory costs		
Less amount representing interest	_____	_____
Present value of net minimum lease payments	<u>_____</u>	<u>_____</u>

**Landfill closure and postclosure care costs**—State and federal laws and regulations require the County to place a final cover on its \_\_\_\_\_ landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will not be paid until near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs in each period that the County operates the landfill. These costs will be paid from the General (Enterprise) Fund. **Modify accordingly.**

The amount recognized each year is based on landfill capacity used at the end of each fiscal year. The \$ \_\_\_\_\_ reported as landfill closure and postclosure care liability at June 30, 2013,

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represents the cumulative amount reported to date based on the use of \_\_\_ percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$\_\_\_\_\_ as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in fiscal year 2013. The County expects to close the landfill in the year \_\_\_\_, and the actual cost may be higher because of inflation, changes in technology, or changes in regulations.

**40 CFR Part 258.74(f) requires entities operating landfills to meet local government financial test requirements or ensure that monies necessary to meet costs associated with landfills will be available when needed.**

According to state and federal laws and regulations, the County must comply with the local government financial test requirements that ensure that the County can meet the costs of landfill closure, postclosure, and corrective action when needed. The County is in compliance with these requirements.

**If the County chooses not to comply with the local government financial test requirements, disclose how the costs of landfill closure, postclosure, and corrective action are being met (for example, through a trust fund or restricted assets). See GASB Statement No. 18, ¶17 and Appendix D.**

**When bonds have been issued for the payment of landfill closure and postclosure care costs, add the following disclosure for those bonds.**

The following schedule details debt service requirements to maturity for bonds payable issued by the County for the payment of its landfill closure and postclosure care costs at June 30, 2013:

Year ending June 30	Governmental (Business-Type) Activities	
	Principal	Interest
2014		
2015		
2016		
2017		
2018		
2019-23		
2024-28		
2029-33		
2034-38		
2039-43		
Total		

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***If the County provides life, health, or disability benefits to its employees other than through commercial insurance, adapt one of the following notes, whichever is applicable.***

**Insurance claims**—The County provides life, health, and disability benefits to its employees and their dependents through the Arizona Local Government Employee Benefit Trust, currently composed of six member counties. The Trust provides the benefits through a self-funding agreement with its participants and administers the program, and the County is responsible for paying the premium (and requires its employees to contribute a portion of that premium). **Modify as necessary.** If it withdraws from the Trust, the County is responsible for any claims run-out costs, including claims reported but not settled, claims incurred but not reported, and administrative costs. If the Trust were to terminate, the County would be responsible for its proportional share of any trust deficit.

**OR**

The Employee Benefit Fund (an Internal Service Fund) accounts for the financing of the uninsured risk of loss for certain health benefits (comprehensive, major medical, dental) to eligible employees and their dependents. Under this program, the Fund provides coverage for up to a maximum of \$\_\_\_\_\_ for each claim, not to exceed an annual aggregate of \$\_\_\_\_\_. The Fund purchases commercial insurance for claims in excess of this coverage. Settled claims did not exceed this commercial insurance coverage in any of the past 3 fiscal years. **Modify as appropriate.**

The insurance claims payable liability of the Fund totaling \$\_\_\_\_\_ at June 30, 2013, is the estimated ultimate cost of settling claims that have been reported but not settled, and claims that have been incurred but not reported. This estimate is based on actuarial estimates **or describe methodology.** Changes in the Fund’s claims payable for the years ended June 30, 2012 and 2013, were as follows:

	<b>2012</b>	<b>2013</b>
Claims payable, beginning of year	_____	_____
Current-year claims and changes in estimates	_____	_____
Claim payments	_____	_____
Claims payable, end of year	<u>                    </u>	<u>                    </u>

**Compensated absences and claims and judgments**—Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. Claims and judgments are generally paid from the fund that accounts for the activity that gave rise to the claim. During fiscal year 2013, the County paid for compensated absences as follows: \_\_\_ percent from the General Fund, \_\_\_ percent from major funds, and \_\_\_ percent from other funds. The County paid for claims and judgments as follows: \_\_\_ percent from the General Fund and \_\_\_ percent from the \_\_\_\_\_ Fund. **Modify as appropriate.**

**Pollution Remediation Obligations**—

County  
 Notes to Financial Statements  
 June 30, 2013

*If the County has recognized pollution remediation liabilities and/or recoveries of pollution remediation outlays, it should disclose the following:*

- a. *The nature and source of pollution remediation obligations (e.g., federal, state, or local laws or regulations),*
- b. *The amount of the estimated liability if not apparent from the financial statements, the methods and assumptions used for the estimate, and the potential for changes due to price increases or reductions, technology, or applicable laws or regulations,*
- c. *Estimated recoveries reducing the liability.*

*If the County has pollution remediation liabilities that are not yet recognized because they are not reasonably estimable, it should disclose a general description of the nature of the pollution remediation activities.*

*See GASB Statement No. 49, paragraphs 25 and 26 for more information regarding these disclosures. Also, see Appendix C, Examples 1-6 in GASB Statement No. 49 for examples of required disclosures.*

*Conduit debt—If the County has any outstanding conduit debt, add the disclosures required by GASB Cod. §C65.*

Note \_ - Termination Benefits

*If the County reports employee termination benefits in its financial statements it will need to disclose in the notes a description of the termination benefit arrangements, the cost of the termination benefits, and significant methods and assumptions used to determine termination benefit liabilities as required by GASB Statement No. 47, ¶s18-21.*

Note \_ - Fund Balance Classifications of the Governmental Funds

The fund balance classifications of the governmental funds as of June 30, 2013, were as follows:

	General Fund	Major Fund	Major Fund	Total
<b>Fund balances:</b>				
<b>Nonspendable:</b>				
Inventories				
Prepaid items				
<i>List other nonspendable resources</i>				
Total nonspendable	_____	_____	_____	_____
<b>Restricted for:</b>				
Social services				

County

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Notes to Financial Statements  
June 30, 2013

Law enforcement				
Highways and streets				
Health				
Welfare				
Education				
Parks and recreation				
Debt service				
<b>List other purposes</b>	_____	_____	_____	_____
Total restricted	_____	_____	_____	_____
<b>Committed to:</b>				
<b>List specific purposes</b>	_____	_____	_____	_____
Total committed	_____	_____	_____	_____
<b>Assigned to:</b>				
<b>List specific purposes</b>	_____	_____	_____	_____
Total assigned	_____	_____	_____	_____
<b>Unassigned</b>	_____	_____	_____	_____
Total fund balances	_____	_____	_____	_____

**Stabilization Arrangements**—When the County formally sets aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise, those amounts are subject to controls that dictate the circumstances under which they can be spent. The County may have made formal arrangements to maintain amounts for budget or revenue stabilization, working capital needs, contingencies, or emergencies. When the County has stabilization arrangements it should disclose the statutory authority for establishing the stabilization arrangement, the requirements for additions to the stabilization amount, the conditions under which stabilization amounts may be spent, and the stabilization balance, if not apparent on the face of the financial statements. (GASB 54, ¶126.)

**Minimum Fund Balance Policies**—When the County has formally adopted a minimum fund balance policy it should disclose its policy setting forth the minimum amount. (GASB 54, ¶127.)

Note \_ - Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County carries commercial insurance for all such risks of loss, including workers' compensation and employees' health and accident insurance. Settled claims resulting from these risks have

\_\_\_\_ County  
Notes to Financial Statements  
June 30, 2013

not exceeded commercial insurance coverage in any of the past 3 fiscal years. **Modify as appropriate.**

**OR**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For these risks of loss, the County joined and is covered by three public entity risk pools: the Arizona Counties Property and Casualty Pool and the Arizona Counties Workers' Compensation Pool, which are described below, and the Arizona Local Government Employee Benefit Trust, which is described on page \_\_\_\_\_. **Modify as appropriate.**

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 11 member counties. The pool provides member counties catastrophic loss coverage for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters; and provides risk management services. Such coverage includes all defense costs as well as the amount of any judgment or settlement. The County is responsible for paying a premium based on its exposure in relation to the exposure of the other participants, and a deductible of \$\_\_\_\_\_ per occurrence for property claims and \$\_\_\_\_\_ per occurrence for liability claims. The County is also responsible for any payments in excess of the maximum coverage of \$300 million per occurrence for property claims and \$15 million per occurrence for liability claims. However, lower limits apply to certain categories of losses. A county must participate in the pool at least 3 years after becoming a member; however, it may withdraw after the initial 3-year period. If the pool were to become insolvent, the County would be assessed an additional contribution.

The Arizona Counties Workers' Compensation Pool is a public entity risk pool currently composed of 11 member counties. The pool provides member counties with workers' compensation coverage, as required by law, and risk management services. The County is responsible for paying a premium, based on an experience-rating formula that allocates pool expenditures and liabilities among the members.

The Arizona Counties Property and Casualty Pool and the Arizona Counties Workers' Compensation Pool receive independent audits annually and an audit by the Arizona Department of Insurance every 5 years. Both pools accrue liabilities for losses that have been incurred but not reported. These liabilities are determined annually based on an independent actuarial valuation.

## Note \_ - Operating Leases

The County leases **describe assets by major classes** under the provisions of various long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases were \$\_\_\_\_\_ for the year ended June 30, 2013. The operating leases have remaining noncancelable terms of \_\_\_ years (from \_\_\_ to \_\_\_ years) and provide renewal options. The future minimum payments required under the operating leases at

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Notes to Financial Statements  
June 30, 2013

June 30, 2013, were as follows:

	Governmental Activities	Business-Type Activities
Year ending June 30		
2014		
2015		
2016		
2017		
2018		
2019-23		
2024-28		
Total minimum lease payments	_____	_____

Note \_ - Pensions and Other Postemployment Benefits (*Example County Retirement Plan disclosure with no recognition of net OPEB liability*).

*(Note: If the County provides its own retirees' healthcare benefits, the County should also follow the accounting and disclosure requirements of GASB Statement No. 45, or if applicable, GASB Statement No. 43. For additional disclosure guidance for County-provided retiree healthcare benefits, see end of note.)*

**Plan Descriptions**—The County contributes to the four plans described below. The plans are component units of the State of Arizona and benefits are established by state statute, and the plans generally provide retirement, long-term disability, and health insurance premium benefits, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retirees' average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. The health insurance premium benefit is paid as a fixed dollar amount per month toward the retiree's healthcare insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

**OR**

**When the County chooses not to disclose certain plans due to their insignificance to the financial statements and note disclosures, the County should include the following two sentences and eliminate any disclosures that are applicable to those plans.** The County contributes to four plans, \_\_\_\_\_ of which are described below. The \_\_\_\_\_ and \_\_\_\_\_ Plan(s) is (are) not described due to its (their) relative insignificance to the County's financial statements. The plans are component units of the State of Arizona and benefits are established by state statute, and the plans generally provide retirement, long-term disability, and health insurance premium benefit plan, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retirees' average compensation. Long-term disability benefits vary by

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Notes to Financial Statements  
June 30, 2013

circumstance, but generally pay a percentage of the employee's monthly compensation. The health insurance premium benefit is paid as a fixed dollar amount per month toward the retiree's healthcare insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

The *Arizona State Retirement System* (ASRS) administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium benefit plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan that covers employees of the State of Arizona and employees of participating political subdivisions and school districts. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The *Public Safety Personnel Retirement System* (PSPRS) administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona and participating political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a seven-member board, known as The Board of Trustees, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The *Corrections Officer Retirement Plan* (CORP) administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit plan that covers state, county, and local correction officers; dispatchers; and probation, surveillance, and juvenile detention officers. The CORP is governed by The Board of Trustees of PSPRS and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

The *Elected Officials Retirement Plan* (EORP) administers a cost-sharing, multiple-employer defined benefit pension plan and a cost-sharing, multiple-employer defined benefit health insurance premium benefit that covers State of Arizona and county elected officials and judges, and elected officials of participating cities. The EORP is governed by The Board of Trustees of PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. EORP's health insurance premium benefit portion is not administered as its own formal trust. Therefore, in accordance with GASB Statement No. 43, the County is required to disclose certain actuarial information related to the health insurance premium benefit portion that is similar to that of an agent multiple-employer defined benefit plan. However, the Board of Trustees obtains an actuarial valuation for both EORP portions on their statutory basis as cost-sharing plans, and therefore, actuarial information for the County, as a participating government employer, is not available. **(Regardless of the unavailability of the actuarial information for the EORP, this omission represents a departure from the disclosure requirements of GASB Statement No. 45 and should be evaluated as such. In addition, for CAFRs, GFOA may write a review point for the omission of this required disclosure.)**

County  
 Notes to Financial Statements  
 June 30, 2013

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report is available on their Web site or may be obtained by writing or calling the applicable plan.

ASRS  
 3300 N. Central Ave.  
 P.O. Box 33910  
 Phoenix, AZ 85067-3910  
 (602) 240-2000 or 1-800-621-3778  
 www.azasrs.gov

PSPRS, CORP, and EORP  
 3010 E. Camelback Rd., Suite 200  
 Phoenix, AZ 85016-4416  
 (602) 255-5575  
 www.psprs.com

**Funding Policy**—The Arizona State Legislature establishes and may amend active plan members' and the County's contribution rates for the ASRS, PSPRS, CORP, and EORP.

*Cost-sharing plans*—For the year ended June 30, 2013, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.14 percent (10.9 percent for retirement and 0.24 percent for long-term disability) of the members' annual covered payroll and the County was required by statute to contribute at the actuarially determined rate of 11.14 percent (10.25 percent for retirement, 0.65 percent for health insurance premium benefit, and 0.24 percent for long-term disability) of the members' annual covered payroll. Active EORP members were required by statute to contribute 11.5 percent of the members' annual covered payroll, and the County was required to remit a designated portion of certain court fees plus additional contributions at the actuarially determined rate of 20.87 percent of the members' annual covered payroll that includes the actuarially set rate of 1.8 percent for the plan's health insurance premium benefit.

The County's contributions for the current and 2 preceding years, all of which were equal to the required contributions, were as follows:

	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
<b>Year ended June 30</b>			
<b>ASRS:</b>			
2013	\$	\$	\$
2012			
2011			
<b>Year ended June 30</b>			
<b>EORP:</b>			
2013	\$	\$	
2012			
2011			

County

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Notes to Financial Statements  
June 30, 2013

*Agent plans*—For the year ended June 30, 2013, active PSPRS members were required by statute to contribute 9.55 percent of the members' annual covered payroll and the County was required to contribute \_\_\_ percent, the aggregate of which is the actuarially required amount. The health insurance premium benefit portion of the contribution rate was actuarially set at \_\_\_ percent of covered payroll. Active CORP members were required by statute to contribute 8.41 percent of the members' annual covered payroll. **OR** Active CORP members were required by statute to contribute 8.41 percent of the non-dispatcher members' and 7.96 percent of the dispatchers' annual covered payroll. **Modify as necessary.** In addition, the County was required to contribute \_\_\_ percent. The aggregate of the members' and the County's contributions is the actuarially required amount. The health insurance premium benefit portion of the contribution rate was actuarially set at \_\_\_ percent of covered payroll. **The health insurance contribution rates reported should include both the actuarially determined rates for normal cost and for the amortization of the unfunded accrued liability for health insurance. The June 30, 2011, individual employer actuarial reports for PSPRS, and CORP provide this information.**

**Modify pension disclosure throughout for CORP Dispatchers and CORP Administrative Office of the Courts (AOC) groups, if applicable. For CORP Dispatchers individual actuarial valuation reports are prepared for each participating government. However, all participating employers in CORP-AOC are accounted for as one group within the Corrections Officer Retirement Plan and, as such, an actuarial valuation of CORP-AOC is only performed for the group as a whole and individual employer actuarial valuations are not performed. Therefore, actuarial information and certain trend information for the County, as a participating government, is not available or does not apply. Specifically, pension/OPEB contributions made, the percentage of annual pension/OPEB cost contributed, and net pension/OPEB obligations for the year along with actuarial valuation information is only available for the group as a whole and not for the County as an individual participating government. When the County's participation in CORP-AOC is significant suggest adding the following:** All participating employers in the CORP Administrative Office of the Courts (AOC) are accounted for as one group within the Corrections Officer Retirement Plan and, as such, an actuarial valuation of CORP-AOC is only performed for the group as a whole. Therefore, actuarial information and certain trend information for the County, as a participating government, are not available.

**Actuarial methods and assumptions**—The contribution requirements for the year ended June 30, 2013, were established by the June 30, 2011, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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Notes to Financial Statements  
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Projections of benefits are based on (1) the plans as understood by the County and plans' members and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the County and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for both plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2013 contribution requirements, are as follows:

Actuarial valuation date	June 30, 2011
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	25 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value
Actuarial assumptions:	
Investment rate of return	8.25%
Projected salary increases	5% – 8% for PSPRS and CORP
includes inflation at	5% for PSPRS and CORP

**Annual Pension/OPEB Cost**—The County's pension/OPEB cost for the agent plans for the year ended June 30, 2013, and related information follows:

	PSPRS		CORP	
	Pension	Health Insurance Premium Benefit	Pension	Health Insurance Premium Benefit
Annual pension/ OPEB cost	\$	\$	\$	\$
Contributions made				

**Note to preparers:** *In practice, the annual pension/OPEB cost will be calculated (i.e., rate [per actuarial valuation] X covered payroll [per county records or derived by dividing amount contributed]).*

**Trend Information**—Annual pension and OPEB cost information for the current and 2 preceding years follows for each of the agent plans:

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Notes to Financial Statements  
June 30, 2013

Plan	Year Ended June 30	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
<b>PSPRS</b>				
Pension	2013	\$	%	\$
Health insurance premium benefit	2013			
Pension	2012			
Health insurance premium benefit	2012			
Pension	2011			
Health insurance premium benefit	2011			
<b>CORP</b>				
Pension	2013			
Health insurance premium benefit	2013			
Pension	2012			
Health insurance premium benefit	2012			
Pension	2011			
Health insurance premium benefit	2011			

**Note to preparers for both the Annual Pension/OPEB Cost and Trend information disclosures:** The Plans report OPEB contributions received only to the extent of health insurance subsidy payments made by the Plans to retirees for each of the counties. Any of the counties' health insurance contributions actually made that is in excess of the health insurance subsidy payments to retirees during the fiscal year is added to the pension plan for reporting purposes. For guidance on reporting pension and OPEB information in the above schedule, see the Office's reporting guidance for reporting requirements of GASB Statement Nos. 45 and 50 on the Office's PPG Resources intranet Web page.

**Funded Status**—The funded status of the plans as of the most recent valuation date, June 30, 2012, along with the actuarial assumptions and methods used in those valuations follow. **The standards require that the most recent valuation date information for the funded status and funding progress of each plan be disclosed. Accordingly, if the 2013 actuarial reports are**

County  
Notes to Financial Statements  
June 30, 2013

*available before the completion of the audit, the information reported in the following table should be as of the June 30, 2013, actuarial valuation.*

	PSPRS			CORP		
	Pension	Health Insurance Premium Benefit		Pension	Health Insurance Premium Benefit	
Actuarial value of assets (a)	\$	\$		\$	\$	
Actuarial accrued liability (b)						
Unfunded actuarial accrued liability (funding excess) (b) – (a)						
Funded ratio (a)/(b)		%	%	%		%
Annual covered payroll (c)	\$	\$		\$	\$	
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll (b) – (a) / (c)		%	%	%		%

The actuarial methods and assumptions used are the same for both plans and related benefits, and for the most recent valuation date, are as follows:

Actuarial valuation date	June 30, 2012
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	24 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value (80%/120% market)
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases includes inflation at	5% – 9% for PSPRS and 5% – 8.25% for CORP 5% for PSPRS and CORP

**County Provided OPEB Benefit Disclosures:**

County

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Notes to Financial Statements  
June 30, 2013

*If the County also participates in other healthcare retirement plans, or allows its retirees to participate in its employees' healthcare plans (i.e., implicit rate subsidy), it needs to add the following disclosures for those other plan(s):*

- a. *Plan description;*
- b. *Funding policy;*
- c. *Annual OPEB cost and the dollar amount of contributions made;*
- d. *For the current year and each of the two preceding years, annual OPEB cost, percentage of annual OPEB cost contributed during that year, and net OPEB obligation at the end of the year;*
- e. *Information about the funded status of the plan as of the most recent actuarial valuation date; and*
- f. *Disclosure of information about actuarial methods and assumptions used in valuations on which reported information about the ARC, annual OPEB cost, and the funded status and funding progress of OPEB plan(s) is based.*

*Also, the County will need to add a required supplementary information section for the most recent actuarial valuation and the two preceding valuations.*

*See GASB Statement No. 45, paragraphs 24-26 for a more complete explanation of the disclosure requirements. See GASB Statement No. 45, paragraphs 11-21 for an explanation of how to account for the implicit rate subsidy.*

Note \_ - Interfund Balances and Activity

**Interfund receivables and payables**—Interfund balances at June 30, 2013, were as follows:

Payable from	Payable to						Total
	General Fund	Major Fund	Nonmajor Governmental Funds	Major Enterprise Fund	Nonmajor Enterprise Funds	Internal Service Fund(s)	
<i>List funds</i>							
Total							

*Describe the purpose for interfund balances and describe interfund balances that are not expected to be repaid within 1 year from the date of the financial statements. See Illustration 14 in GASB Statement No. 38 for an example of such disclosure.*

**Interfund transfers**—Interfund transfers for the year ended June 30, 2013, were as follows:

Transfer to

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County  
Notes to Financial Statements  
June 30, 2013

Transfer from	General Fund	Major Fund	Nonmajor Governmental Funds	Major Enterprise Fund	Nonmajor Enterprise Funds	Internal Service Fund(s)	Total
<i>List funds</i>	_____	_____	_____	_____	_____	_____	_____
Total	=====	=====	=====	=====	=====	=====	=====

*Describe the principal purposes of the County's interfund transfers.*

*Describe and give the amount of significant transfers not expected to occur on a routine basis.*

*Describe the intent for and amount of significant interfund transfers for which the purpose of the transfer was not routine or was inconsistent with the activities of the fund making the transfer. See Illustration 16 in GASB Statement No. 38 for an example of such disclosure.*

Note \_ - County Treasurer's Investment Pool

Arizona Revised Statutes require community colleges, school districts, and other local governments to deposit certain public monies with the County Treasurer. The Treasurer has a fiduciary responsibility to administer those and the County's monies under his (her) stewardship. The Treasurer invests, on a pool basis, all idle monies not specifically invested for a fund or program. In addition, the Treasurer determines the fair value of those pooled investments annually at June 30. **Modify the last sentence if the Treasurer makes more frequent determinations.**

The County Treasurer's investment pool is not registered with the Securities and Exchange Commission as an investment company, and there is no regulatory oversight of its operations. The pool's structure does not provide for shares, and the County has not provided or obtained any legally binding guarantees to support the value of the participants' investments.

The Treasurer allocates interest earnings to each of the pool's participants. However, for the County's monies in the pool, the Board of Supervisors authorized \$\_\_\_\_\_ of interest earned in certain other funds to be transferred to the General Fund. **Delete this sentence if the County did not assign interest earned by one or more funds to other fund(s).**

**Deposit and investment risk disclosure requirements for the County Treasurer's investment pool—In addition to the disclosure requirements for the County Treasurer's investment pool described herein, the County must also disclose the deposit and investment risks of the investment pool, including credit, custodial credit, concentration, interest rate, and foreign currency risks as appropriate. The deposit and investment risk disclosures for the investment pool should be distinguished from the deposit and investment risk disclosures of the County's primary government. However, in those instances when deposit and**

\_\_\_\_ County  
Notes to Financial Statements  
June 30, 2013

**investment risks of the investment pool are substantially the same as the County's primary government the County may consider using the paragraph below.**

The deposits and investments held by the County are included in the County Treasurer's investment pool, except for \$\_\_\_\_\_ of deposits and \$\_\_\_\_\_ of investments in \_\_\_\_\_. **Modify as appropriate.** Therefore, the deposit and investment risks of the Treasurer's investment pool are substantially the same as the County's deposit and investment risks. See Note \_\_\_ for disclosure of the County's deposit and investment risks.

Details of each major investment classification follow:

Investment Type	Principal	Interest Rate(s)	Maturities	Amount
--------------------	-----------	---------------------	------------	--------

A condensed statement of the investment pool's net **position** and changes in net **position** follows:

**Statement of Net Position**

Assets	\$
Liabilities	
Net <b>position</b>	\$
Net <b>position</b> held in trust for:	
Internal participants	\$
External participants	
Total net <b>position</b> held in trust	\$

**Statement of Changes in Net Position**

Total additions	\$
Total deductions	
Net increase (decrease)	_____
Net <b>position</b> held in trust:	
July 1, 2012	_____
June 30, 2013	\$

Note \_ - Segment Information

**For any activities that meet the definition of a segment, disclose the types of goods and services provided by the segment and present a condensed statement of net **position**; statement of revenues, expenses, and changes in net **position**; and statement of cash flows. See GASB Statement No. 34, ¶122 (as amended by GASB Statement No. 37, ¶17) for segment definition and disclosure requirements.**

County

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Notes to Financial Statements  
June 30, 2013

Note \_ - Other Disclosures

*If the County had joint ventures or jointly governed organizations (GASB Cod. §J50), related-party transactions or commitments (GASB Cod. §2300 and GASB 62, ¶s 54 - 57), significant contingencies (GASB Cod. §§1500 and C50), or significant subsequent events (GASB Cod. §§2300 and C50), disclose the details here.*

Note \_ - Condensed Financial Statements of Discretely Presented Component Units

*The County must provide detailed information about each major component unit. Determination that a component unit is “major” should be based on the nature and significance of its relationship to the primary government. (see GASB Statement No. 61, ¶17 and GASB Cod §2600.108) This information can be provided in one of three ways:*

- *Present each major component unit in a separate column in the financial statements*
- *Include combining statements of major component units in the basic statements after the fund financial statements*
- *Present condensed financial statements in the notes. If the County presents condensed financial statements, it must include all the requirements in GASB Statement No. 34, ¶127.*

*Nonmajor component units should be aggregated in a single column. A combining statement for the nonmajor component units is not required, but may be presented as supplementary information. (GASB Statement No. 34, ¶126, Footnote 50).*

Note \_ - Discretely Presented Component Unit Disclosures

*The County must include those disclosures of its discretely presented component units that are essential to the fair presentation of this opinion unit, which would include a summary of significant accounting policies. Determining which discretely presented component unit disclosures are essential to fair presentation is a matter of professional judgment and a consideration of the nature and significance of the component unit's relationship to the County. See GASB Statement No. 61, ¶111 for disclosure requirements.*

*Also, discretely presented component units' disclosures should be segregated from disclosures relating to the County. This can be accomplished by presenting component unit information after the County information for each relevant disclosure or by presenting the component units' disclosures after the County's disclosures. See question 4.39.6 in the GASB Comprehensive Implementation Guide—2012-2013.*

*Further, the notes to the financial statements should disclose, for each major component unit, the nature and amount of significant transactions with the primary government and other component units.*

\_\_\_\_\_ County  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 General Fund  
 Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes				
Licenses and permits				
Fees, fines, and forfeits				
Intergovernmental				
Charges for services				
Investment earnings				
Miscellaneous				
Total revenues				
Expenditures:				
General government				
Assessor				
Board of Supervisors				
<b>List all departments budgeted</b>				
Public safety				
Adult probation				
Sheriff				
<b>List all departments budgeted</b>				
<b>List other functions, classifications,</b>				
<b>and departments as appropriate</b>				
Total expenditures				
Excess (deficiency) of revenues over expenditures				
Other financing sources (uses):				
Capital lease agreement(s)				
Installment purchase agreement(s)				
Transfers in				
Transfers out				
Total other financing sources and uses				
Special item(s):				
<b>Describe nature of event or transaction</b>				
Extraordinary item(s):				
<b>Describe nature of event or transaction</b>				
Net change in fund balances				
Fund balances, July 1, 2012				
Changes in nonspendable resources:				
Increase (decrease) in inventories				
Increase (decrease) in prepaid items				
Fund balances, June 30, 2013				

The County must also present additional schedules for each major special revenue fund that has a legally adopted annual budget.

The legal level of budgetary control for Arizona counties is at the department level. Individual fund budgetary comparison schedules are required to be presented at the legal level of budgetary control. Therefore, the County should present its budgetary comparison schedules at this level to demonstrate compliance with its adopted budget as required by GASB Cod. §2400.121.

\_\_\_\_ County  
 Required Supplementary Information  
 Notes to Budgetary Comparison Schedules  
 June 30, 2013

Note 1 - Budgeting and Budgetary Control

A.R.S. requires the County to prepare and adopt a balanced budget annually for each governmental fund. The Board of Supervisors must approve such operating budgets on or before the third Monday in July to allow sufficient time for the legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August. A.R.S. prohibits expenditures or liabilities in excess of the amounts budgeted.

Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the Board of Supervisors' approval. With the exception of the General Fund, each fund includes only one department. **Modify as appropriate.**

Note 2 - Budgetary Basis of Accounting

The County's budget is prepared on a basis consistent with generally accepted accounting principles, except for the following unbudgeted items:

- Financial activity of certain component units.
- Present value of net minimum capital lease payments.

**Modify as appropriate. If necessary, include installment purchase contract payments, the County's share of long-term care premiums paid to the State, sales tax distributions net of the premium liability, and net changes in the fair value of investments.**

The following schedule reconciles the excess (deficiency) of revenues over expenditures from the Statement of Revenues, Expenditures, and Changes in Fund Balances to the budgetary comparison schedules:

	<u>General Fund</u>	<u>Major Special Revenue Fund</u>	<u>Major Special Revenue Fund</u>
Excess (deficiency) of revenues over expenditures from the Statement of Revenues, Expenditures, and Changes in Fund Balances			
___ special district revenues			
___ special district expenditures			
Present value of net minimum capital lease payments			
Excess (deficiency) of revenues over expenditures from the budgetary comparison schedules			

\_\_\_\_\_ County  
 Required Supplementary Information  
 Notes to Budgetary Comparison Schedules  
 June 30, 2013

Note 3 - Expenditures in Excess of Appropriations

For the year ended June 30, 2013, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

<b>Department/Fund</b>	<b>Excess</b>
Sheriff Department:	
General Fund	
Jail District Fund	
<b>List other funds</b>	_____
Total Sheriff Department	=====
Housing Department:	
<b>List funds</b>	_____
Total Housing Department	=====
<b>Department:</b>	
<b>List funds</b>	_____
<i>Total for the Department</i>	=====

*Describe actions taken or planned to address such violations. Also, only those unfavorable variances attributable to the budgetary schedules presented as supplementary information here should be discussed in this note. However, those departments with significant unfavorable budget variances should also be disclosed in the Stewardship, Compliance, and Accountability note to the financial statements.*

County  
 Required Supplementary Information  
 Schedule of Agent Retirement Plans' Funding Progress  
 June 30, 2013

*The standards require that the schedule of funded status and funding progress present information about the funded status and funding progress for both pension and health care benefits of each plan for the most recent valuation and the two preceding valuations. Accordingly, if the 2013 actuarial reports are available before the completion of the audit, valuation years 2013, 2012, and 2011 should be reported.*

*If the County provides its own retirees' health care benefits, the County should also follow the required supplementary information reporting requirements of GASB Statement No. 45, or if applicable, GASB Statement No. 43.*

Public Safety Personnel Retirement System

Actuarial Valuation Date	Actuarial value of assets (a)	Actuarial accrued liability (b)	Unfunded actuarial accrued liability (UAAL) (funding excess) (b) – (a)	Funded ratio (a)/(b)	Annual covered payroll (c)	UAAL (funding excess) as a percentage of covered payroll (b) – (a)/c
Pension 6/30/12	\$	\$	\$	%	\$	%
Health insurance premium benefit 6/30/12						
Pension 6/30/11						
Health insurance premium benefit 6/30/11						
Pension 6/30/10						
Health insurance premium benefit 6/30/10						

See accompanying notes to schedule of agent retirement plans' funding progress.

County  
 Required Supplementary Information  
 Schedule of Agent Retirement Plans' Funding Progress  
 June 30, 2013

Corrections Officer Retirement Plan

Actuarial Valuation Date	Actuarial value of assets (a)	Actuarial accrued liability (b)	Unfunded actuarial accrued liability (UAAL) (funding excess) (b) – (a)	Funded ratio (a)/(b)	Annual covered payroll (c)	UAAL (funding excess) as a percentage of covered payroll (b) – (a)/c
Pension 6/30/12	\$	\$	\$	%	\$	%
Health insurance premium benefit 6/30/12						
Pension 6/30/11						
Health insurance premium benefit 6/30/11						
Pension 6/30/10						
Health insurance premium benefit 6/30/10						

See accompanying notes to schedule of agent retirement plans' funding progress.

\_\_\_\_\_  
County  
Required Supplementary Information  
Notes to Schedule of Agent Retirement Plans' Funding Progress  
June 30, 2013

Note 1 – Actuarial Information Available

*For CORP Dispatchers individual actuarial valuation reports are prepared for each participating government. However, all participating employers in CORP-AOC are accounted for as one group within the Corrections Officer Retirement Plan and, as such, an actuarial valuation of CORP-AOC is only performed for the group as a whole and individual employer actuarial valuations are not performed. Therefore, actuarial information for the County, as a participating government, is not available. When the County's participation in CORP-AOC is significant suggest adding the following:* All participating employers in the CORP Administrative Office of the Courts (AOC) are accounted for as one group within the Corrections Officer Retirement Plan and, as such, an actuarial valuation of CORP-AOC is only performed for the group as a whole. Therefore, actuarial information for the County, as a participating government, is not available.

Note 2 – Factors That Affect the Identification of Trends

*For each plan, if significant and disclosed in the annual actuarial valuation reports, identify the factors that affect the identification of trends in the amounts reported including, for example, changes in benefit provisions, the size or composition of the population covered by the plan, or the actuarial methods and assumptions used. See GASB Statement Nos. 45 and 50.*

County  
Required Supplementary Information  
Infrastructure Assets  
June 30, 2013

*Infrastructure Assets modified approach—*

*The County may decide to use the modified approach for reporting eligible infrastructure assets. If so, eligibility must be determined as follows:*

- *Infrastructure assets must be part of a network or network subsystem*
- *The County must commit to a predetermined condition level, and the County's board of supervisors must have made that commitment in an open forum and documented the decision*
- *The County must track the assets with an acceptable asset management system that*
  1. *Generates an up-to-date inventory*
  2. *Performs condition assessments, which summarize results using a measurement scale*
  3. *Generates annual estimates of amount needed that year to maintain assets at the predetermined condition level*
- *The County must maintain documentation that the assets are being preserved at the predetermined condition level*

*Next, the County must present the following schedules based on information obtained from the asset management system.*

- *The assessed condition of the assets and the date of the assessment for at least the three most recent complete condition assessments. The assessments must be performed at least every 3 years.*
- *The annual amount the County estimates is needed to maintain and preserve the assets at the condition level established by the board of supervisors compared with the amounts actually expensed for each of the past five reporting periods. The estimate must be calculated at the beginning of the fiscal year.*

*The following disclosures should accompany the schedules:*

- *The measurement scale and the basis for the condition measurement used to assess and report the condition.*
- *The condition level at which the County intends to preserve assets reported using the modified approach.*
- *Factors that significantly affect trends reported in the required schedules.*

*See GASB Statement No. 34, ¶s 23-26 and 132-133, and Appendix C, Exhibit G-5, pp. 275-277.*

## Supplementary Information

*(use this cover page when financial statements are included in the single audit reporting package)*

County

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Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2013

**The Schedule of Expenditures of Federal Awards should include the following at a minimum:**

- 1. Individual programs by federal agency. For federal programs in a cluster of programs, list the individual federal programs within the cluster.**
- 2. Name of the pass-through grantor agency and the pass-through grantor's identifying number.**
- 3. Total federal awards expended for each individual federal program and the associated CFDA number or other identifying number.**
- 4. Total amount provided to subrecipients from each federal program. This information may be presented on the face of the schedule or in the notes.**
- 5. The value of federal awards expended in the form of noncash assistance, amount of insurance in effect during the year, and loans or loan guarantees outstanding at year-end. This information may be presented on the face of the schedule or in the notes.**

**See paragraph 7.20 in the AICPA Audit Guide, Government Auditing Standards and Circular A-133 Audits dated February 1, 2013, for more information.**

*American Recovery and Reinvestment Act (ARRA) monies—The County must separately identify expenditures of ARRA monies on both the Schedule of Expenditures of Federal Awards (SEFA) and on the Data Collection Form. Expenditures of ARRA monies on the SEFA must be separately identified by inclusion of the prefix “ARRA” in identifying the name of the federal program. For example ARRA funding has been provided to the Workforce Investment Act cluster; however, no new CFDA numbers have been assigned to the cluster for ARRA monies. The ARRA monies would be reported as CFDA No. 17.260, “ARRA—WIA Dislocated Workers” etc. For additional guidance, see OMB Circular A-133 Compliance Supplement, June 2013, Appendix VII – Other OMB Circular A-133 Advisories.*

**Noncash assistance:**

*The value of such assistance should be included in the schedule or disclosed as a note to the schedule. Although it is not required, Circular A-333 states that it is preferable to present this information in the schedule instead of the notes to the schedule. If the auditee presents noncash assistance in the notes, such amounts must still be included in Part III of the Data Collection Form.*

*Medicaid reimbursements should not be included in the schedule.*

\_\_\_\_\_ County  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2013

Note 1 - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of \_\_\_\_\_ County and is presented on the modified accrual basis of accounting. **Modify if all or certain expenditures are presented on another basis of accounting.** The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 - Catalog of Federal Domestic Assistance (CFDA) Number

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2013 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier, a period, and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier, a period, and the word "unknown" were used.

Note 3 - Subrecipients

From the federal expenditures presented in the schedule, the County awarded the following to subrecipients:

Program Title	CFDA Number	Amount
---------------	-------------	--------

(Letterhead)

**Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Basic Financial  
Statements Performed in Accordance with *Government Auditing Standards***

Members of the Arizona State Legislature<sup>1</sup>

The Board of Supervisors of  
\_\_\_\_\_ County, Arizona

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information<sup>2</sup> of \_\_\_\_\_ County as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated \_\_\_\_\_. **Modify as necessary to describe departures from the standard report. Use the following sentence to identify those component units, funds, organizations, functions, or activities audited by other auditors.** (Our report includes a reference to other auditors who audited the financial statements of [identify name of component unit, fund, organization, function, or activity], as described in our report on the County's financial statements.) **Include the following sentence when the inclusion approach is used to include the results of the other auditors in the group auditor's report on internal control over financial reporting and on compliance and other matters.**<sup>3, 4</sup> This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the report(s) of the other auditors.)

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<sup>1</sup> Contract auditors should address to "The Auditor General of the State of Arizona."

<sup>2</sup> Modify as appropriate to conform with auditors' report issued for the financial statements.

<sup>3</sup> The group auditor who refers to the work of other auditors in the report on an entity's financial statements also should acknowledge the involvement of the other auditors in the *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters issued for that entity. The group auditor must use either the reference or inclusion options. The Office has chosen the inclusion option to include the results of the other auditors' audit(s) in the group auditors' *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters. However, contract auditors may use either the reference or inclusion options for reporting the results of other auditors. With the inclusion option, the group auditors analyze the results of the other audits to determine which findings, if any, should be included in the group auditors' report on internal control over financial reporting and compliance and other matters. The group auditors exercise professional judgment in evaluating those results for inclusion using the materiality levels appropriate for the scope of the group auditors' audit. When planning the audit, the auditors should discuss with the County and the other auditor(s) how the other auditors' results will be addressed in the group auditors' report on internal control over financial reporting and on compliance and other matters. Also, the auditors should discuss with the other auditor(s) the timing of the reports from them to ensure an understanding of expectations. For additional guidance see the AICPA Audit Guide, *Government Auditing Standards and Circular A-133 Audits*, as of February 1, 2013, paragraphs 4.77 through 4.83 and the scope paragraph of example 4-6.

<sup>4</sup> When a component auditor did not perform the audit under *Government Auditing Standards* the component auditor will not issue the reporting required by *Government Auditing Standards* (that is, the report on internal control over financial reporting and on compliance and other matters). Instead, the component auditor will issue the communication required by AU-C section 265 if there are significant deficiencies or material weaknesses that were identified. In this circumstance, the group auditor is precluded from including the component auditor's significant deficiencies and material weaknesses in the report on internal control over financial reporting and on compliance and other matters. See the AICPA Audit Guide, *Government Auditing Standards and Circular A-133 Audits*, February 1, 2013, paragraphs 4.76 and 4.81 and footnotes 42 and 43 of section 4.88 for additional guidance.

## **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's basic financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

***Use the following paragraph when there are no material weaknesses or significant deficiencies to report.***

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we (and the other auditors) did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**OR**

***Use the following paragraph when significant deficiencies are reported.***

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we (and the other auditors) did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We (and the other auditors) did identify certain deficiencies in internal control described in the accompanying Schedule of Findings and Questioned Costs as items **OR** Schedule of Findings and Recommendations as items **list related finding reference numbers** that we consider to be significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests (and those of the other auditors) disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. ***See Government Auditing Standards, Chapter 4 for reporting criteria.***

*Yellow Book report—no material weaknesses, no or some significant deficiencies identified, and no reportable instances of noncompliance or other matters.*

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*In those circumstances when a separate letter to management to communicate other matters is being issued, add the following:* We noted certain matters that we will report (reported) to the County's management in a separate letter at a future date (dated \_\_\_\_\_).

### **County Response to Findings**

\_\_\_\_\_ County's responses to the findings identified in our audit are presented on pages \_\_\_\_ through \_\_\_\_\_. **The County's responses were not subjected to the auditing procedures applied in the audit of the basic financial statements,** and accordingly, we express no opinion on them. **Delete this paragraph if there are no significant deficiencies referred to in this report.**

### **Purpose of this Report**

**The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.**

Jay Zsorey, CPA  
Financial Audit Director

***Date of auditors' report; must be the same as the basic financial statements opinion date.***

(Letterhead)

**Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Basic Financial  
Statements Performed in Accordance with *Government Auditing Standards***

Members of the Arizona State Legislature<sup>1</sup>

The Board of Supervisors of  
\_\_\_\_\_ County, Arizona

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information<sup>2</sup> of \_\_\_\_\_ County as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated \_\_\_\_\_. **Modify as necessary to describe departures from the standard report. Use the following sentence to identify those component units, funds, organizations, functions, or activities audited by other auditors.** (Our report includes a reference to other auditors who audited the financial statements of [identify name of component unit, fund, organization, function, or activity], as described in our report on the County's financial statements.) **Include the following sentence when the inclusion approach is used to include the results of the other auditors in the group auditor's report on internal control over financial reporting and on compliance and other matters.**<sup>3, 4</sup> This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the report(s) of the other auditors.)

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<sup>1</sup> Contract auditors should address to "The Auditor General of the State of Arizona."

<sup>2</sup> Modify as appropriate to conform with auditors' report issued for the financial statements.

<sup>3</sup> The group auditor who refers to the work of other auditors in the report on an entity's financial statements also should acknowledge the involvement of the other auditors in the *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters issued for that entity. The group auditor must use either the reference or inclusion options. The Office has chosen the inclusion option to include the results of the other auditors' audit(s) in the group auditors' *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters. However, contract auditors may use either the reference or inclusion options for reporting the results of other auditors. With the inclusion option, the group auditors analyze the results of the other audits to determine which findings, if any, should be included in the group auditors' report on internal control over financial reporting and compliance and other matters. The group auditors exercise professional judgment in evaluating those results for inclusion using the materiality levels appropriate for the scope of the group auditors' audit. When planning the audit, the auditors should discuss with the County and the other auditor(s) how the other auditors' results will be addressed in the group auditors' report on internal control over financial reporting and on compliance and other matters. Also, the auditors should discuss with the other auditor(s) the timing of the reports from them to ensure an understanding of expectations. For additional guidance see the AICPA Audit Guide, *Government Auditing Standards and Circular A-133 Audits*, as of February 1, 2013, paragraphs 4.77 through 4.83 and the scope paragraph of example 4-6.

<sup>4</sup> When a component auditor did not perform the audit under *Government Auditing Standards* the component auditor will not issue the reporting required by *Government Auditing Standards* (that is, the report on internal control over financial reporting and on compliance and other matters). Instead, the component auditor will issue the communication required by AU-C section 265 if there are significant deficiencies or material weaknesses that were identified. In this circumstance, the group auditor is precluded from including the component auditor's significant deficiencies and material weaknesses in the report on internal control over financial reporting and on compliance and other matters. See the AICPA Audit Guide, *Government Auditing Standards and Circular A-133 Audits*, February 1, 2013, paragraphs 4.76 and 4.81 and footnotes 42 and 43 of section 4.88 for additional guidance.

## Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs OR Schedule of Findings and Recommendations, we (and the other auditors) identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies. **Modify as necessary.**

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's basic financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items OR Schedule of Findings and Recommendations as items **list finding reference numbers** to be material weaknesses.

**Add the following paragraph when significant deficiencies are also reported.** A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items OR Schedule of Findings and Recommendations as items **list finding reference numbers** to be significant deficiencies.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests (and those of the other auditors) disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and that are described in the accompanying Schedule of Findings and Questioned Costs as items OR Schedule of Findings and Recommendations as items **list related finding reference numbers**.

**In those circumstances when a separate letter to management to communicate other matters is being issued, add the following:** We also noted certain additional matters that we will report (reported) to the County's management in a separate letter at a future date (dated \_\_\_\_\_).

***Yellow Book report—material weaknesses, no or some significant deficiencies, reportable instances of noncompliance, and other matters identified.***

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\_\_\_\_\_ County's responses to the findings identified in our audit are presented on pages \_\_\_ through \_\_\_\_\_. The County's responses were not subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jay Zsorey, CPA  
Financial Audit Director

***Date of auditors' report;  
must be the same as the  
basic financial statements  
opinion date.***

(Letterhead)

**Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

Members of the Arizona State Legislature<sup>1</sup>

The Board of Supervisors of  
\_\_\_\_\_ County, Arizona

**Report on Compliance for Each Major Federal Program**

We have audited \_\_\_\_\_ County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. (, except for that portion of the federal programs administered by **describe the entities not audited**. Those entities were audited by other auditors whose report(s) **has** (have) been furnished to us, and our opinion, insofar as it relates to the compliance of those entities with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, is based solely on the report(s) of the other auditors.) The County's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit (and the report(s) of the other auditors) provide(s) a reasonable basis for our opinion **on compliance for each major federal program**. However, our audit does not provide a legal determination of the County's compliance.

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<sup>1</sup> Contract auditors should address to "The Auditor General of the State of Arizona."

### **Opinion on Each Major Federal Program**

In our opinion, (based on our audit and the report(s) of the other auditors,) \_\_\_\_\_ County complied, in all material respects, with the **types of** compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with OMB Circular A-133 and that are described in the accompanying Schedule of Findings and Questioned Costs as items **list related finding reference numbers**. Our opinion on each major federal program is not modified with respect to these matters. **If no such instances of noncompliance are identified in the Schedule of Findings and Questioned Costs, this “Other Matters” section of the report would be omitted.**

\_\_\_\_\_ County’s responses to the noncompliance findings identified in our audit are presented on pages \_\_\_\_ through \_\_\_\_\_. The County’s responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

### **Report on Internal Control over Compliance**

The County’s management is responsible for establishing and maintaining effective internal control over compliance with the **types of compliance** requirements **referred to above**. In planning and performing our audit **of compliance**, we considered the County’s internal control over compliance with the **types of** requirements that could have a direct and material effect on **each** major federal program to determine the auditing procedures **that are appropriate in the circumstances** for the purpose of expressing **an** opinion on compliance **for each major federal program** and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County’s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. **A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.**

***Use the following paragraph when there are no material weaknesses or significant deficiencies to report.***

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be **material weaknesses or significant deficiencies**. We (and the report(s) of the other auditors) did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. **However, material weaknesses may exist that have not been identified.**

OR

***Use the following two paragraphs when significant deficiencies are reported.***

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We (and the report(s) of the other auditors) did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we (and the report(s) of the other auditors) identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items ***list finding reference numbers*** that we consider to be significant deficiencies.

\_\_\_\_\_ County's responses to the internal control over compliance findings identified in our audit are presented on pages \_\_\_ through \_\_\_. The County's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information<sup>1</sup> of \_\_\_\_\_ County as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated \_\_\_\_\_, that contained an **unmodified** opinion on those financial statements. **Modify as necessary.** (Our report was modified to include a reference to our reliance on other auditors.) **Modify as necessary and describe any additional departures from the standard report.** Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of the County's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards (by us and the other auditors). In our opinion, (based on our audit, the procedures performed as described previously, and the report(s) of the other auditors,) the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole. **Only make reference to the other auditors in the auditors' report on the Schedule of Expenditures of Federal Awards (SEFA) when the other auditors specifically audited amounts or disclosures reported in the SEFA.**

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<sup>1</sup> Modify as appropriate to conform with auditors' report issued for the financial statements.

*A-133 report—unqualified opinion on compliance, instances of noncompliance, no material weaknesses, and no or some significant deficiencies in internal control over compliance identified.*

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Jay Zsorey, CPA  
Financial Audit Director

*Date of auditors' report.*

*Must be the same as the basic financial statements opinion date if the basic financial statements are issued with the single audit reports.*

OR

*Date of auditors' report.*

*When the single audit is issued separately, the date of the report should be no earlier than the date federal compliance test work is completed. See AU-C 725 for additional guidance and the AICPA Audit Guide, Government Auditing Standards and Circular A-133 Audits, as of February 1, 2013, paragraph 13.18.*

(Letterhead)

**Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

Members of the Arizona State Legislature<sup>1</sup>

The Board of Supervisors of  
\_\_\_\_\_ County, Arizona

**Report on Compliance for Each Major Federal Program**

We have audited \_\_\_\_\_ County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. (, except for that portion of the federal programs administered by **describe the entities not audited**. Those entities were audited by other auditors whose report(s) **has** (have) been furnished to us, and our opinion, insofar as it relates to the compliance of those entities with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, is based solely on the report(s) of the other auditors.) The County's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit (and the report(s) of the other auditors) provide(s) a reasonable basis for our opinion **on compliance for each major federal program**. However, our audit does not provide a legal determination of the County's compliance.

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<sup>1</sup> Contract auditors should address to "The Auditor General of the State of Arizona."

**Basis for Qualified Opinion on (Identify Major Federal Program)**

As described in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding **identify the major federal program and associated finding number(s) matched to the type(s) of compliance requirements**. Compliance with such requirements is necessary, in our opinion, (based on our audit and the report(s) of the other auditors,) for the County to comply with the requirements applicable to that program.

**Qualified Opinion on (Identify Major Federal Program)**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, \_\_\_\_\_ County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on **identify the major federal program** for the year ended June 30, 2013.

**Unmodified Opinion on Each of the Other Major Federal Programs**

In our opinion, \_\_\_\_\_ County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2013.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with OMB Circular A-133 and that are described in the accompanying Schedule of Findings and Questioned Costs as items **list related finding reference numbers**. Our opinion on each major federal program is not modified with respect to these matters.

\_\_\_\_\_ County's responses to the noncompliance findings identified in our audit are presented on pages \_\_\_ through \_\_\_. The County's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

**Report on Internal Control over Compliance**

The County's management is responsible for establishing and maintaining effective internal control over compliance with the **types of compliance** requirements **referred to above**. In planning and performing our audit **of compliance**, we considered the County's internal control over compliance with the **types of** requirements that could have a direct and material effect on **each** major federal program to determine the auditing procedures **that are appropriate in the circumstances** for the purpose of expressing **an** opinion on compliance **for each major federal program** and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, **material weaknesses or significant deficiencies may exist that were not identified**. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and

***A-133 report—qualified opinion on compliance, other instances of noncompliance, material weaknesses, and no or some significant deficiencies in internal control over compliance identified.***

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significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items ***list finding reference numbers*** to be material weaknesses.

***Add the following paragraph when significant deficiencies are also reported.*** A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items ***list finding reference numbers*** to be significant deficiencies.

\_\_\_\_\_ County's responses to the internal control over compliance findings identified in our audit are presented on pages \_\_\_\_ through \_\_\_\_\_. The County's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information<sup>1</sup> of \_\_\_\_\_ County as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated \_\_\_\_\_, that contained an **unmodified** opinion on those financial statements. **Modify as necessary.** (Our report was modified to include a reference to our reliance on other auditors.) **Modify as necessary and describe any additional departures from the standard report.** Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of the County's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards (by us and the other auditors). In our opinion, (based on our audit, the procedures performed as described previously, and the report(s)

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<sup>1</sup> Modify as appropriate to conform with auditors' report issued for the financial statements.

***A-133 report—qualified opinion on compliance, other instances of noncompliance, material weaknesses, and no or some significant deficiencies in internal control over compliance identified.***

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of the other auditors,) the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole. ***Only make reference to the other auditors in the auditors' report on the Schedule of Expenditures of Federal Awards (SEFA) when the other auditors specifically audited amounts or disclosures reported in the SEFA.***

Jay Zsorey, CPA  
Financial Audit Director

***Date of auditors' report.***

***Must be the same as the basic financial statements opinion date if the basic financial statements are issued with the single audit reports.***

OR

***Date of auditors' report.***

***When the single audit is issued separately, the date of the report should be no earlier than the date federal compliance test work is completed. See AU-C 725 for additional guidance and the AICPA Audit Guide, Government Auditing Standards and Circular A-133 Audits, as of February 1, 2013, paragraph 13.18.***

\_\_\_\_\_ County  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2013

**Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: **unmodified, qualified, adverse, disclaimer**<sup>1</sup> \_\_\_\_\_

	Yes	No
Internal control over financial reporting:		
Material weakness(es) identified?	___	___
Significant deficiency(ies) identified?	___	___ (None reported)
Noncompliance material to the financial statements noted?	___	___

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?	___	___
Significant deficiency(ies) identified?	___	___ (None reported)

Type of auditors' report issued on compliance for major programs: **unmodified, qualified, adverse, disclaimer**<sup>2</sup> \_\_\_\_\_

<sup>1</sup> As explained in the AICPA Audit and Accounting Guide, *State and Local Governments*, the auditor generally expresses or disclaims an opinion on a government's basic financial statements by providing an opinion or disclaimer of opinion on each opinion unit required to be presented in those financial statements. Therefore, there could be multiple responses to this question for audits of a government's basic financial statements. For example, if the auditors' report was unqualified for all opinion units except for one opinion unit which had a qualified opinion, the response to this question could be as follows: "Unqualified for all opinion units except for [name of opinion unit], which was qualified."

<sup>2</sup> If the audit report for one or more major programs is other than unqualified, indicate the type of report issued for each program. For example, if the audit report on major program compliance for an auditee having five major programs includes an unqualified opinion for three of the programs, a qualified opinion for one program, and a disclaimer of opinion for one program, the response to this question could be as follows: "Unqualified for all major programs except for [name of program], which was qualified and [name of program], which was a disclaimer."

\_\_\_\_\_ County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])? \_\_\_\_\_

Identification of major programs: **Major programs should generally be identified in the same order as reported on the Schedule of Expenditures of Federal Awards.**

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs: \$ \_\_\_\_\_

Auditee qualified as low-risk auditee? \_\_\_\_\_

**Other Matters**

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])? \_\_\_\_\_

\_\_\_\_ County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013

## Financial Statement Findings

*This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, instances of noncompliance, abuse, and other matters related to the basic financial statements that are required to be reported in accordance with Government Auditing Standards.*

*Audit findings that relate to both the financial statements and federal awards should be reported in both sections. However, the reporting in one section may be in summary form with a reference to a detailed reporting in the other section of the schedule.*

*When there are no financial statement findings to report, add "None reported". However, when the Government Auditing Standards Report on Internal Control over Financial Reporting and on Compliance and Other Matters has been issued separately, include the following.*

Financial statement findings were reported in the separately issued Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with *Government Auditing Standards*.

**2013-01**

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### Subject heading

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Criteria: *(In the criteria describe the required or desired state or expectation. The criteria should refer to laws, regulations, contracts, grant agreements, standards, measures, expected performance, defined business practices, and benchmarks against which performance is compared or evaluated.)*

Condition and context: *(In the condition describe the situation that exists and for the context describe the work performed that resulted in the finding and provide information for judging the prevalence and consequences of the finding.)*

Effect: *(In the effect describe the impact or potential impact of the difference between the situation that exists and the required or desired state or expectation.)*

Cause: *(In the cause describe the reason or explanation for why it happened. Common factors include poorly designed policies, procedures, or criteria; inconsistent, incomplete, or incorrect implementation; or other factors beyond the control of management.)*

Recommendation: *(In the recommendation describe the suggested corrective action.)*

**Add the following as applicable.**

This finding is similar to a prior-year finding.

\_\_\_\_ County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013

Other auditors' findings:

*When including other auditors' findings in the principal auditors' GAGAS report on internal control over financial reporting and on compliance and other matters, add the following sentence and the related other auditors' findings.<sup>1</sup>*

The other auditors who audited the *(identify component unit, fund, organization, function, or activity)* of the County reported the following findings.

**2013-0X (Number other auditors' findings in sequence with the principal auditors' findings.)**

**Subject heading**

*(Add other auditors' finding text)*

### Federal Award Findings and Questioned Costs

*This section identifies material weaknesses, significant deficiencies, and instances of noncompliance, including questioned costs, related to the audit of major federal programs, as required to be reported by OMB Circular A-133, section 510(a).*

*Audit findings that relate to both the financial statements and federal awards should be reported in both sections. However, the reporting in one section may be in summary form with a reference to a detailed reporting in the other section of the schedule.*

*When there are no material weaknesses, significant deficiencies, or instances of noncompliance related to federal programs, add "None reported".*

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<sup>1</sup> The other auditors' findings that meet the reporting criteria for inclusion in the GAGAS report on internal control over financial reporting and on compliance and other matters should be included as reported in their audit reports without modification, except to clearly identify the functions or activities of the County that those findings pertain to. However, when we review the other auditors' findings prior to their issuance and note required elements are missing, the other auditors should be notified and their findings should be modified accordingly before inclusion.

\_\_\_\_\_ County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013

**2013-101**

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Cluster Name: *(Delete row if not applicable)*

CFDA No. and Name:

Award Number(s) and Year(s):

Federal Agency:

Pass-Through Grantor: *(Delete row if not applicable)*:

Compliance Requirement(s):

Questioned Costs: \$

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Criteria: *(In the criteria describe the required or desired state or expectation. The criteria should refer to laws, regulations, contracts, grant agreements, standards, measures, expected performance, defined business practices, and benchmarks against which performance is compared or evaluated.)*

Condition and context: *(In the condition describe the situation that exists and for the context describe the work performed that resulted in the finding and provide information for judging the prevalence and consequences of the finding.)*

Effect: *(In the effect describe the impact or potential impact of the difference between the situation that exists and the required or desired state or expectation.)*

Cause: *(In the cause describe the reason or explanation for why it happened. Common factors include poorly designed policies, procedures, or criteria; inconsistent, incomplete, or incorrect implementation; or other factors beyond the control of management.)*

Recommendation: *(In the recommendation describe the suggested corrective action.)*

**Add the following as applicable.**

This finding is similar to a prior-year finding.

**Date**

Debbie Davenport  
Auditor General  
2910 North 44<sup>th</sup> Street, Suite 410  
Phoenix, AZ 85018

Dear Ms. Davenport:

The accompanying Corrective Action Plan has been prepared as required by the standards applicable to financial audits contained in *Government Auditing Standards*, and by U.S. Office of Management and Budget Circular A-133. Specifically, we are providing you with the corrective action planned for the financial reporting findings and the names of the contact persons responsible for corrective action, the corrective action planned, and the anticipated completion date for each federal award finding included in the current year's Schedule of Findings and Questioned Costs. ***Modify as necessary when either no financial reporting or federal award findings were reported.***

Sincerely,

***County representative's name***  
***Title***

County

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Corrective Action Plan  
Year Ended June 30, 2013

Financial Statement Findings

**2013-01**

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**Subject heading**

**Name(s) of contact person(s)**

Anticipated completion date: \_\_\_\_\_

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*Describe the corrective action planned.*

*Omit the above section when there were no financial statement findings reported. However, when the Government Auditing Standards Report on Internal Control over Financial Reporting and on Compliance and Other Matters has been issued separately and included financial statement findings include the following:*

The corrective action plan for financial statement findings was included in the separately issued Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with *Government Auditing Standards*.

Federal Award Findings and Questioned Costs

**2013-101**

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CFDA No.: \_\_\_\_\_ **Name of program**

**Name(s) of contact person(s)**

Anticipated completion date: \_\_\_\_\_

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*Describe the corrective action planned.*

**Date**

Debbie Davenport  
Auditor General  
2910 North 44<sup>th</sup> Street, Suite 410  
Phoenix, AZ 85018

Dear Ms. Davenport:

The accompanying Summary Schedule of Prior Audit Findings has been prepared as required by U.S. Office of Management and Budget Circular A-133. Specifically, we are reporting the status of audit findings included in the prior audit's Schedule of Findings and Questioned Costs related to federal awards. This schedule also includes audit findings reported in the prior audit's Summary Schedule of Prior Audit Findings that were not corrected.

Sincerely,

**County representative's name**  
**Title**

\_\_\_\_ County  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2013

Status of Federal Award Findings and Questioned Costs

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CFDA No.: \_\_\_\_\_ **Name of program**  
Finding No.: \_\_\_\_\_ **Use itemized number from prior report**  
Status: **Choose one of the following:** Fully corrected, Partially corrected, Not corrected, Significantly different corrective action, or No longer valid.

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*If status is fully corrected, no further explanation is necessary. If partially corrected, describe the partial action taken and remaining planned action. If not corrected, describe planned action. If the corrective action taken differed significantly from previously reported planned action, explain the action taken and why it was different. If the finding is no longer valid, describe the reasons.*

**Date**

**Name of audit liaison**  
**Name of pass-through entity**  
**Address**

Dear **name of audit liaison**:

The Arizona Auditor General has completed a single audit of \_\_\_\_\_ County for the year ended June 30, 20\_\_\_. The audit was conducted in accordance with the requirements of U.S. Office of Management and Budget Circular A-133 and included the following federal award(s) received from your agency:

<u>CFDA Number</u>	<u>Award Name</u>	<u>Amount Expended</u>
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The auditors' Schedule of Findings and Questioned Costs disclosed no audit findings relating to the federal award(s) your agency provided. Also, the Summary Schedule of Prior Audit Findings did not report on the status of any audit findings related to those awards.

**The following paragraph is optional.**

If you would like to receive a copy of the Single Audit Reporting Package, please contact **name and address or phone number of contact person**.

Sincerely,

**County Finance Officer or  
Other appropriate official**

**Note: The County may choose to submit a copy of the reporting package to any pass-through entity to comply with the notification requirement in OMB Circular A-133 §\_\_.320(e)(2).**