

REPORT HIGHLIGHTS

SINGLE AUDIT

Subject

Cochise County is responsible for preparing financial statements, maintaining strong internal controls, and demonstrating accountability for its use of public monies. As the auditors, our job is to determine whether the County has met its responsibilities.

Our Conclusion

Except that the Ft. Huachuca Accommodation School District Fund had unreconcilable cash differences with the County Treasurer, the information in the financial statements is fairly stated in all material respects, and the financial statements can be relied on. Also, overall the County maintained adequate internal controls over financial reporting and compliance and complied with federal program requirements. However, auditors found weaknesses in financial reporting and compliance internal controls and noncompliance with program requirements for three federal programs, see page 2.



2008

Year Ended June 30, 2008

County's Condensed Financial Information

The County's government-wide financial statements provide readers with a broad overview of the County's finances in a manner similar to private-sector businesses. These statements report the financial activities of the overall government, except for fiduciary activities.

The tables to the right present a summarized version of the County's government-wide Statement of Net Assets and Statement of Activities reported in the current year financial statements.

The Statement of Net Assets presents information on county assets and liabilities, with the difference between the two reported as net assets. The Statement of Activities presents information showing how net assets changed during the most recent fiscal year. As shown in the tables, net assets increased by \$9.7 million. This increase was primarily due to increases in investment in capital assets.

Statement of Net Assets June 30, 2008 (In thousands)

	Total Governmental and Business-type Activities
Current and other assets	\$ 82,883
Capital assets	154,042
Total assets	<u>236,925</u>
Current liabilities	12,729
Noncurrent liabilities	16,095
Total liabilities	<u>28,824</u>
Net assets:	
Invested in capital assets, net of related debt	144,660
Restricted net assets	25,669
Unrestricted net assets	37,772
Total net assets	<u>\$208,101</u>

Statement of Activities For the Year Ended June 30, 2008 (In thousands)

	Total Governmental and Business-type Activities
Program revenues:	
Governmental activities	\$ 45,182
Business-type activities	37,886
General revenues:	
Governmental activities	57,049
Business-type activities	1,093
Total revenues	<u>141,210</u>
Expenses:	
Governmental activities	92,728
Business-type activities	38,770
Total expenses	<u>131,498</u>
Change in net assets	9,712
Net assets—beginning, as restated	198,389
Net assets—ending	<u>\$208,101</u>

Internal Control Weaknesses and Instances of Noncompliance

Financial Audit Findings

The County did not have adequate written policies and procedures needed to prepare accurate and timely financial statements and related schedules and reports. Instead, the County has relied on its finance department employees' experience. However, without formal policies and procedures, the County's financial statements could omit important and required information or contain misstatements.

Other auditors audited portions of the County's financial statements and noted internal control weaknesses and noncompliance affecting the financial statements, as summarized below.

Ft. Huachuca Accommodation School District Fund

Lack of adequate internal controls over

- preparation of financial statements.
- performing cash reconciliations with the County Treasurer, causing differences that could not be justified or audited.
- recording expenditures in the proper fiscal year.
- reporting capital assets.

Cochise Private Industry Council, Inc.

Lack of procedures to perform adequate year-end grant revenue and expenditure reconciliations.

Federal Award Findings

The County spent over \$18 million of federal monies this past year for 60 programs. Auditors tested 6 federal programs under the requirements established by the Single Audit Act. Other auditors audited 3 of those programs and found internal control weaknesses and instances of noncompliance, as summarized below.

Impact Aid program administered by the Ft. Huachuca Accommodation School District

- Noncompliance with Davis-Bacon Act wage requirements.

WIA Cluster administered by the Cochise Private Industry Council, Inc.

- Inadequate reconciliation of federal revenues and expenditures.

Section 8 Housing Choice Vouchers program administered by the Housing Authority of Cochise County

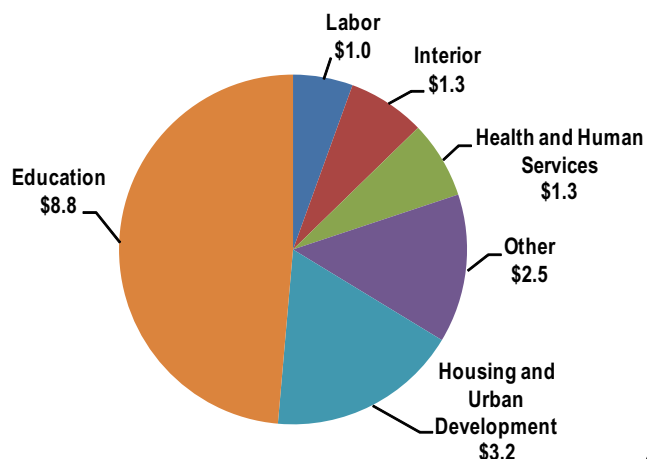
- Inadequate procedures over performing housing quality standards reinspections.

The County Experienced an Overall Decrease in Federal Award Expenditures

Overall, county expenditures of federal awards decreased by approximately \$2 million, from the \$20.1 million expended during fiscal year 2007. The decrease was primarily the result of the following:

- WIA Pilots, Demonstrations, and Research Projects program expenditures decreased by \$0.4 million because of decreases in federal funding for the program.
- Education Technology State Grants program expenditures decreased by \$0.7 million because pass-through responsibilities for the program were transferred to Pima County at the end of fiscal year 2007.
- Help America Vote Act Requirements Payment program expenditures decreased by \$0.6 million because the County received an award to purchase voting system equipment in fiscal year 2007 and expended \$0.7 million. The program funding received and expended in fiscal year 2008 was limited to software maintenance and support.
- Immunization Grants program expenditures decreased by \$0.3 million because the value of vaccines was no longer required to be reported in the Schedule of Expenditures of Federal Awards.

**Federal Expenditures by Awarding Agency
Totaling \$18.1 Million
Fiscal Year 2008
(In Millions)**



The Single Audit Fact Sheet

- Six weaknesses in financial reporting internal controls, three of which were material weaknesses.
- Three weaknesses in federal compliance internal controls, one of which was a material weakness.
- Three instances of noncompliance with federal compliance requirements.

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MORE INFORMATION

A copy of the full report
can be obtained by calling
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Contact person for
this report:
Donna Miller



Cochise County

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Year Ended June 30, 2008