*(Letterhead)*

# Independent auditors’ report

Members of the Arizona State Legislature*[[1]](#footnote-2)*

The Board of Supervisors of

\_\_\_\_\_\_\_\_\_\_\_\_\_ County, Arizona

## Report on the audit of the financial statements*[[2]](#footnote-3)*

### Opinions[[3]](#footnote-4)

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*[[4]](#footnote-5)*of \_\_\_\_\_\_\_\_\_ County as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements as listed in the table of contents.

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 the County as of June 30, 2023, 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.

***(Use this paragraph when making reference to other auditors.)*** We did not audit the \_\_\_\_\_\_\_\_ Fund’s ***(Or identify the applicable component unit, department, organization, function, or activity of the County.)*** financial statements, which represent \_\_\_ percent and \_\_\_ percent, respectively, of the assets and revenues of the \_\_\_\_\_\_\_\_ ***(Identify applicable opinion unit(s).)*** as of June 30, 2023. *[[5]](#footnote-6)*P 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 \_\_\_\_\_\_\_\_ Fund ***(Or identify the applicable component unit, department, organization, function, or activity of the County.)***, is (are) based solely on the other auditors’ report(s).P

### Basis for opinions

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 U.S. Comptroller General. Our responsibilities under those standards are further described in the auditors’ responsibilities for the audit of the financial statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. *Add the following when a portion of the County was not audited in accordance with Government Auditing Standards.* The other auditors did not audit the \_\_\_\_\_ *(Insert name of the portion of the County, such as the fund, component unit, department, organization, function, or activity, and if it is not evident from the financial statements, the opinion unit to which that portion of the County relates)* financial statements in accordance with *Government Auditing Standards*.

### Emphasis of matter[[6]](#footnote-7)

*Adoption of new accounting standard—Add an emphasis-of-matter paragraph if the County adopted a new GASB accounting standard during fiscal year 2023 and the implementation of the new standard had a material effect on the financial statements/disclosures. See AU-C 708.07–.11 and 708.A7–.A11 for additional guidance.*

As discussed in Note \_\_ to the financial statements, for the year ended June 30, 2023, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. *(Insert new accounting standards adopted.)*. Our opinions are not modified with respect to this matter.

*Correction of a material misstatement (error) in previously issued financial statements—Add an emphasis-of-matter paragraph when the financial statements’ beginning balances/net position are restated to correct a material misstatement in the previously issued financial statements. See AU-C 708.13–.16 and 708.A12–.A16 for additional guidance.*

As discussed in Note \_\_ to the financial statements, the County restated beginning net position/fund balance(s) of its financial statements for the year ended June 30, 2023, to correct a misstatement(s) in its previously issued financial statements. Our opinions are not modified with respect to this matter.

### Other matters6

#### Compliance over the use of Highway User Revenue Fund and other dedicated State transportation revenue monies[[7]](#footnote-8)

In connection with our audit, nothing came to our attention that caused us to believe that the County failed to comply with the authorized transportation purposes, insofar as they relate to accounting matters, for Highway User Revenue Fund monies it received pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated State transportation revenues it received. 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 authorized transportation purposes referred to above, insofar as they relate to accounting matters.

*OR*

*When auditors identified one or more instances of noncompliance over HURF, include a description of the identified instance(s) of noncompliance here, see AU-C 806.08, .13b & .A5.* In connection with our audit of the County’s Highway Road Fund, a major fund *(modify accordingly)*, we noted that the County spent $\_\_\_\_\_\_\_\_\_\_ for \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, which did not comply with the authorized transportation purposes for HURF monies it received pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and other dedicated State transportation revenues it received for maintenance and repair costs. We will include this matter in the other reporting required by *Government Auditing Standards* discussed below.

Our audit was not directed primarily toward obtaining knowledge as to whether the County failed to comply with the authorized transportation purposes, insofar as they relate to accounting matters, for these monies. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County’s noncompliance with the authorized transportation purposes referred to above, insofar as they relate to accounting matters.

*When reporting on HURF compliance in the auditors’ report on the County’s financial statements, AU‑C sections 806 and 905 require that a separate paragraph be added to the auditors’ report that includes an appropriate alert. Include the following paragraph when either of the 2 HURF paragraphs above are used.* 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 Arizona Auditor General,)*[[8]](#footnote-9)* the County’s Board of Supervisors and 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.

### Management’s responsibilities for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County’s ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### Auditors’ responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

* Exercise professional judgment and maintain professional skepticism throughout the audit.
* Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
* Obtain an understanding of internal control relevant to the audit 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.
* Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
* Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County’s ability to continue as a going concern for a reasonable period of time.*[[9]](#footnote-10)*

We are required to communicate with those charged with governance regarding, among other matters, the audit’s planned scope and timing, significant audit findings, and certain internal control-related matters that we identified during the audit.

### Required supplementary information[[10]](#footnote-11)

U.S. generally accepted accounting principles require that the management’s discussion and analysis on pages \_\_\_ through \_\_\_, budgetary comparison schedules on pages \_\_\_ through \_\_\_, schedule of the County’s proportionate share of the net pension/OPEB liability—cost-sharing plans on pages \_\_\_ through \_\_\_, schedule of changes in the County’s net pension/OPEB liability and related ratios—agent plans on pages \_\_\_ through \_\_\_, schedule of County pension/OPEB contributions on pages \_\_\_ through \_\_\_, and the infrastructure assets information on pages \_\_\_ through \_\_\_ be presented to supplement the basic financial statements *(Include only those RSI schedules that were included in the financial statements.)*. Such information is management’s responsibility and, 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)*[[11]](#footnote-12)* have applied certain limited procedures to the required supplementary information in 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.

### Supplementary information[[12]](#footnote-13)

*Add the following paragraph if the County issues an annual comprehensive financial report (ACFR).*

#### Combining and individual nonmajor fund financial statements and schedules

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County’s basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information is management’s responsibility 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).*11* In our opinion, (based on our audit, the procedures performed as described above, and the report[s] of the other auditors,)*11* the accompanying combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Add the following paragraph if the County includes a schedule of expenditures of federal awards with its financial statements.*

#### Schedule of expenditures of federal awards[[13]](#footnote-14)

Our audit was conducted for the purpose of forming 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is management’s responsibility 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).*11* In our opinion, (based on our audit, the procedures performed as described above, and the report[s] of the other auditors,)*11* 14TPthe accompanying 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 2 paragraphs pertaining to other information if the County issues an ACFR.*

*Other information[[14]](#footnote-15)*

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance on the other information.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

## Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated \_\_\_\_\_ ***(****Insert report date.)*, 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 solely 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 the effectiveness of the County’s 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 solely 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 the effectiveness of the County’s 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.

Lindsey A. Perry, CPA, CFE

Auditor General

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

*Auditors’ report date*

*OR*

**­­\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**, except for our report on the supplementary information—schedule of expenditures of federal awards for which the date is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. *(Insert auditors’ report dates.)****[[15]](#footnote-16)***

*Illustrative auditors’ reports, other than the preceding unmodified opinions on basic financial statements, are included in the AICPA Audit Guide, Government Auditing Standards and Single Audits, Chapter 4, Appendix, and the AICPA Audit and Accounting Guide, State and Local Governments, Chapter 17, Appendix A.*

References:

American Institute of Certified Public Accountants (AICPA) (January 2021). AICPA Codification of Statements on Auditing Standards (SAS) Numbers 122 to 143 (cited as AU-C as updated through SAS No. 143).

See also https://us.aicpa.org/research/standards/auditattest/clarifiedsas.html

AICPA (April 1, 2022). AICPA Audit Guide: *Government Auditing Standards and Single Audits* (cited as AAG-GAS).

AICPA (March 1, 2022). AICPA Audit and Accounting Guide: *State and Local Governments* (cited as AAG-SLG).

1. Auditors contracted with the Arizona Auditor General should address the report to “The Arizona Auditor General.” [↑](#footnote-ref-2)
2. This example assumes that the auditors have not been engaged to report on key audit matters (KAMs). If the auditors have been engaged to report on KAMs, refer to AU-C section 701, *Communicating Key Audit Matters in the Independent Auditor’s Report,* for guidance regarding the auditors’ responsibilities for reporting KAMs in the auditors’ report, including the report’s form and content and the auditors’ judgment about what to communicate. [↑](#footnote-ref-3)
3. This example assumes that there are no opinion modifications to the auditors’ report. If the auditors conclude that a qualified opinion, adverse opinion, or disclaimer of opinion should be issued, refer to AU-C section 705, *Modifications to the Opinion in the Independent Auditor’s Report,* for guidance on the auditors’ report. [↑](#footnote-ref-4)
4. The opinions section 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 2 opinion units are not quantitatively or qualitatively material to the primary government and the auditors have chosen to combine the 2 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.” [↑](#footnote-ref-5)
5. Appropriate changes to this sentence should be made when an entire opinion unit is audited by other auditors. For example, “We did not audit the \_\_\_\_\_\_\_\_\_\_ Fund's financial statements, which is both a major fund and XX percent and XX percent, respectively, of the assets and revenues of the \_\_\_\_\_\_\_\_\_\_ activities.” The disclosure of the magnitude of the portion of the financial statements audited by a component auditor may be achieved by stating the dollar amounts or percentages of one or more of the following: total assets, total revenues, or other appropriate criteria, whichever most clearly describes the portion of the financial statements audited by a component auditor. For further information and guidance, see the AICPA Codification of Statements on Auditing Standards, AU-C section 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors).* [↑](#footnote-ref-6)
6. Modify or remove commonly used example paragraphs provided, as appropriate. An emphasis-of-matter paragraph is used to draw users’ attention to a matter appropriately presented or disclosed in the financial statements that is of such importance that it is fundamental to users’ understanding of the financial statements in the auditors’ judgment. An other-matter paragraph is used to draw users’ attention to any other matter that is relevant to users’ understanding of the audit, the auditors’ responsibilities, or the auditors’ report. Refer to AU-C section 706, *Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor’s Report,* for guidance, including 706.A18–Exhibit B and 706.A19–Exhibit C, respectively, that outline other AU-C sections that require auditors to include an emphasis-of-matter paragraph or other-matter paragraph. [↑](#footnote-ref-7)
7. The report on compliance over the use of County HURF monies should be included in the auditors’ report on the County’s financial statements following the guidance of AU-C section 806, *Reporting on Compliance With Aspects of Contractual Agreements or Regulatory Requirements in Connection With Audited Financial Statements*. In addition, when applicable, the report on internal control over financial reporting and on compliance and other matters should include 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. [↑](#footnote-ref-8)
8. Contract auditors should include a reference to “the Arizona Auditor General.” [↑](#footnote-ref-9)
9. This example assumes that the entity is a going concern and will continue its operations for a reasonable period of time, and this paragraph should remain in the report regardless to explain the auditors’ responsibilities. If the auditors conclude that there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time, refer to AU-C section 570, *The Auditor’s Consideration of an Entity’s Ability to Continue as a Going Concern,* for guidance on the appropriate modifications to the auditors’ report. [↑](#footnote-ref-10)
10. This example assumes that all required supplementary information (RSI) is included, auditors have applied the specified procedures, and no material departures from the financial reporting framework have been identified. However, if some or all the RSI has been omitted, specified procedures were not performed, or there are other material departures the auditors identified, refer to AU-C section 730, *Required Supplementary Information,* for guidance on reporting on RSI. [↑](#footnote-ref-11)
11. Reference to the other auditors is only appropriate when the other auditors’ report discusses applicable RSI, SI, or both. Omit parenthetical phrase if not referring to other auditors. [↑](#footnote-ref-12)
12. This example assumes that the auditors have been engaged to provide an “in-relation-to” opinion on supplementary information (SI), are issuing an unmodified opinion on the financial statements, and have concluded that the SI is fairly stated, in all material respects, in relation to the financial statements as a whole. If the auditors have issued an opinion other than unmodified on the financial statements or if the auditors conclude that the SI is not fairly stated, in all material respects, in relation to the financial statements as a whole, refer to AU‑C section 725, *Supplementary Information in Relation to the Financial Statements as a Whole,* for guidance. This section should be deleted if there is no SI on which the auditors are engaged to report. [↑](#footnote-ref-13)
13. This example assumes that, if the schedule of expenditures of federal awards (SEFA) is included with the financial statements, all audit procedures to issue the in-relation-to opinion and to test the SEFA for compliance with Uniform Guidance were completed on or before the auditors’ report date on the financial statements. If both example SI paragraphs apply for reporting on SI, the wording for both paragraphs may be combined into a single paragraph (see AAG-GAS 4.92*–*Example 4-1 illustrative report for guidance). Alternatively, the auditors may include the SEFA and in-relation-to opinion in the auditors’ report issued to meet the requirements of the Uniform Guidance; therefore, refer to AAG-GAS 13.06–Footnote 4, 13.19, and 13.68*–*Example 13-1 illustrative report, as well as the single audit reporting guidelines for guidance. [↑](#footnote-ref-14)
14. This example assumes that the other information (OI) is included in the annual report and all information was obtained prior to the date of the auditors’ report. It also assumes that the auditors have applied the specific procedures on the OI, have detected no uncorrected material misstatements of the OI, and are issuing an unmodified opinion on the financial statements. If this is not the situation, refer to AU‑C section 720, *The Auditor’s Responsibilities Relating to Other Information Included in Annual Reports,* for guidance. [↑](#footnote-ref-15)
15. Refer to AAG-GAS 13.16-.29 for guidance on dating the auditors’ report on supplementary information consisting of the SEFA in relation to the financial statements as a whole. [↑](#footnote-ref-16)