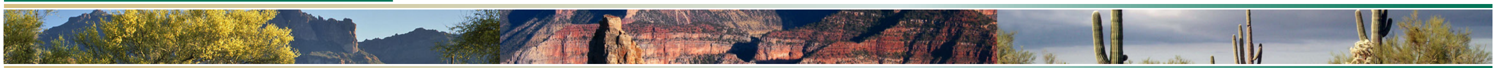
STATE OF ARIZONA
OFFICE OF THE
AUDITOR
GENERAL

Maricopa County



REPORT HIGHLIGHTS
FINANCIAL STATEMENT AND SINGLE AUDITS

Condensed financial information

Our Conclusion

Maricopa County is responsible for preparing annual financial statements and a schedule of expenditures of federal awards, maintaining effective internal controls, and being accountable for its use of public monies. Our Office is responsible for auditing the County's financial statements, schedule, and major federal programs annually. A summary of those financial statements and schedule of expenditures of federal awards is presented to the right.

Based on our audits, we issued opinions on the County's financial statements and schedule of expenditures of federal awards and issued reports on its internal control and compliance over financial reporting and major federal programs. The information in the County's fiscal year 2015 financial statements and schedule is reliable. Our Office identified internal control weaknesses over financial reporting and internal control weaknesses and instances of noncompliance over major federal programs. The most significant findings are summarized on the next page.

2015

Year Ended June 30, 2015

Statement of net position—This statement reports all of the County's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position is reported in three major categories:

- **Net investment in capital assets**—Shows the equity in land, buildings, equipment, and infrastructure.
- **Restricted**—Shows the resources that must be used for restricted purposes as specified by donors and other external entities, such as the federal government.
- **Unrestricted**—Shows the remaining net position balance after allocating the net investment in capital assets and restricted balances. The balance was negative at June 30, 2015, because the County implemented new pension accounting standards. Additional information on these new standards is included on the next page.

Statement of activities—This statement reports all revenues, expenses, and other changes in net position. Revenues include program revenues—those generated by or dedicated to a specific program—and general revenues, such as taxes raised for general purposes. It also reports revenues and expenses as either governmental activities—primarily supported by taxes and grant monies—or business type activities—primarily supported by user fees and charges. Net position decreased by $232 million, or 7 percent, in fiscal year 2015.

Schedule of expenditures of federal awards—During fiscal year 2015, the County expended $151 million in federal awards. The County's federal award expenditures decreased $20 million, or 12 percent, compared to fiscal year 2014.

Condensed statement of net position Governmental and business-type activities As of June 30, 2015 (In millions)

Assets	
Current and other assets	$1,602
Capital assets, net of depreciation	3,509
Total assets	5,111
Deferred outflows of resources	307
Liabilities	
Current liabilities	200
Noncurrent liabilities:	
Net pension liability	1,461
Other	422
Total liabilities	2,083
Deferred inflows of resources	157
Net position	
Net investments in capital assets	3,317
Restricted	208
Unrestricted (deficit)	(348)
Total net position	$3,177

Condensed statement of activities Governmental and business-type activities For the year ended June 30, 2015 (In millions)

Program revenues	
Governmental activities	$ 556
Business-type activities	22
General revenues	
Governmental activities	1,307
Business-type activities	1
Total revenues	1,886
Expenses	
Governmental activities	2,095
Business-type activities	23
Total expenses	2,118
Change in net position	(232)
Net position—beginning, as restated	3,409
Net position—ending	$3,177

Condensed schedule of expenditures of federal awards by grantor agency For the year ended June 30, 2015 (In millions)

Department of Health and Human Services	$ 55
Department of Housing and Urban Development	24
Department of Agriculture	19
Department of Education	19
Other	34
Total federal expenditures	$ 151

Significant pension reporting changes in fiscal year 2015

The Governmental Accounting Standards Board (GASB) issued new pension accounting standards for all state and local governments that resulted in significant reporting changes in fiscal year 2015. The County is required to follow these new standards because its employees are members in the State of Arizona's defined benefit pension plans. The new GASB standards are designed to increase the transparency, consistency, and comparability of pension information across governments. In addition, they require all governments to report more robust pension information, including their share of any unfunded, or net, pension liability, which was nearly $1.5 billion for the County at June 30, 2015. The net pension liability is calculated by subtracting the pension plans' assets from the estimated pension obligations and means that the assets are less than estimated pension obligations. This liability reduced the County's unrestricted net position.

It is important to note that the new reporting requirements will not change the actual cost of providing pension benefits. As they always have, the County and its participating employees will continue to pay their required contributions to cover the estimated pension benefits. The County's contributions were $100 million in fiscal year 2015.

Summary of audit findings and recommendations

For the financial statement audit, we found internal control weaknesses over the County's financial statement preparation, information system access controls, service organization monitoring, and expenditures. For the federal compliance audit, we tested 12 federal programs under the major program guidelines established by the Single Audit Act and noted that the County did not always have adequate internal controls and did not always comply with federal program requirements for seven of its federal programs. Our Report on Internal Control and Compliance over financial reporting and our Single Audit Report over federal programs contain further details to help the County correct these deficiencies. The most significant finding and recommendation is summarized below.

County did not follow established procedures when preparing financial statements

Auditors found that the County did not consistently follow its established procedures when preparing its financial statements, note disclosures, and Required Supplementary Information (RSI). For example, the County under-reported the net pension liability by $17 million in its financial statements and did not fully disclose the Elected Officials Retirement Plan. In addition, it had errors in its classification of accounts recorded in the Fiduciary Funds and other financial statement line items and note disclosures. The County made all necessary adjustments to accurately report its financial statements, related note disclosures, and RSI. We reported a similar finding last year.

Recommendation

The County should follow its current policies and procedures when preparing its annual financial statements, related note disclosures, and RSI. Specifically, the County should ensure that a detailed review is performed on all schedules supporting the financial statements, related note disclosures, and RSI. This will help ensure they are prepared in accordance with generally accepted accounting principles.