

REPORT HIGHLIGHTS FINANCIAL AND SINGLE AUDITS

Subject

Maricopa 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

The information in the financial statements is fairly stated in all material respects and the financial statements can be relied on. However, auditors identified 11 deficiencies in internal control over financial reporting, including 2 material weaknesses. In addition, the County maintained adequate internal controls for four of seven federal programs tested and complied with federal compliance requirements for six programs. However, auditors found material internal control weaknesses for three programs and noncompliance with program requirements for one program.



2008

Year Ended June 30, 2008

The County Needs to Improve Infrastructure Reporting

The County maintains a network of flood control and transportation infrastructure assets valued at \$1.4 billion. Therefore, it is essential that the County accurately value and account for these assets. However, the County's internal control policies and procedures did not always ensure that its infrastructure assets were properly valued or reported. For fiscal year 2008, auditors noted the following material internal control weaknesses over financial reporting:

- The County incorrectly reported \$20 million of flood control construction projects managed by other governments and \$19 million of

transportation infrastructure assets annexed by other governments.

- The County omitted land donations received in prior fiscal years valued at \$9 million.
- The County did not maintain an accurate listing of construction in progress for its transportation infrastructure projects. The listing contained numerous errors, including one transportation construction project valued at \$17 million that the County asserted it did not own in prior years.

The County adjusted its financial statements for all significant errors and restated the July 1, 2007, balances for errors affecting prior years.

County's Condensed Financial Information

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

The tables on the next page present a summarized version of the County's government-wide Statement of Net

Assets and Statement of Activities reported in the current year Comprehensive Annual Financial Report.

The Statement of Net Assets presents information on all 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 year.

**Statement of Net Assets
June 30, 2008**

| | Total Governmental Activities |
|--|--|
| Current and other assets | \$1,682,971,757 |
| Capital assets | <u>2,737,252,312</u> |
| Total assets | <u>4,420,224,069</u> |
| Current and other liabilities | 196,057,156 |
| Long-term liabilities | <u>382,973,245</u> |
| Total liabilities | <u>579,030,401</u> |
| Net assets | |
| Invested in capital assets, net of related debt | 2,542,165,396 |
| Restricted net assets | 526,220,283 |
| Unrestricted net assets | <u>772,807,989</u> |
| Total net assets | <u>\$3,841,193,668</u> |

**Statement of Activities
Year Ended June 30, 2008**

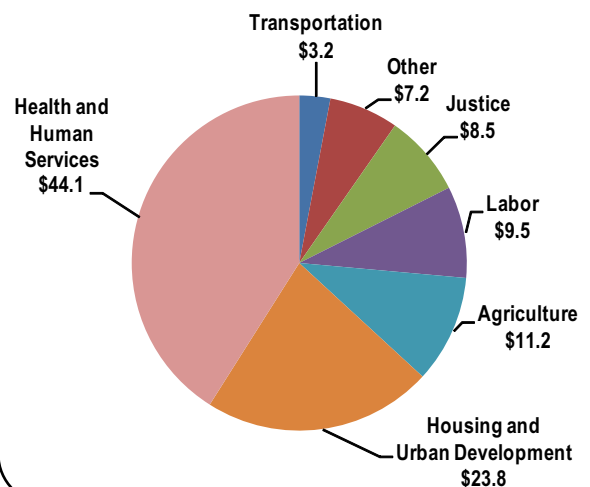
| | Total Governmental Activities |
|--------------------------------------|--|
| Program revenues: | |
| Governmental activities | \$ 605,278,498 |
| General revenues and transfers: | |
| Governmental activities | <u>1,368,920,865</u> |
| Total revenues and transfers | <u>1,974,199,363</u> |
| Expenses: | |
| Governmental activities | <u>1,739,841,834</u> |
| Total expenses | <u>1,739,841,834</u> |
| Change in net assets | 234,357,529 |
| Net assets—beginning, as restated | <u>3,606,836,139</u> |
| Net assets—ending | <u>\$3,841,193,668</u> |

The County Experienced an Overall Decrease in Federal Award Expenditures

Overall, county expenditures of federal award monies decreased by \$15.3 million or 12.5 percent, from the \$122.8 million expended during fiscal year 2007. The decrease was primarily the result of the following:

- The Help America Vote Act Requirements Payment Program**
 The County received an award for the program in fiscal year 2007 and expended \$7.2 million of federal monies to purchase voting system equipment in fiscal year 2007. An award for this program was not received in fiscal year 2008.
- The Immunization Grants Program**
 The value of vaccines is no longer required to be reported in the Schedule of Expenditures of Federal Awards. For fiscal year 2007, \$6.6 million of vaccines were included in the Schedule.

**Federal Expenditures by Awarding Agency
Totaling \$107.5 Million
Fiscal Year 2008
(In Millions)**



The County Did Not Always Comply with Federal Program Requirements

Auditors identified and tested seven federal programs under the guidelines established by the Single Audit Act. Of those seven federal programs, the two federal programs administered by the Housing Authority of Maricopa County were audited by other auditors whose report was furnished to us. Audit tests included evaluating the County's compliance with each program's federal regulations generally related to expending, matching, monitoring, and reporting federal awards.

Auditors noted internal control weaknesses for the Workforce Investment Act Cluster (WIA); the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC); and the Head Start program. Also, instances of noncompliance with program requirements were noted for the WIA program. The table below identifies the audit findings reported by program and type of compliance requirement.

Summary of Internal Control Weaknesses and Instances of Noncompliance

| Program | Responsible County Department | Activities ¹ | Costs ² | Eligibility ³ | Match ⁴ | Suspension ⁵ |
|-------------|-------------------------------|-------------------------|--------------------|--------------------------|--------------------|-------------------------|
| WIA Cluster | Human Services | X | X | | | X |
| WIC | Public Health | | | X | | |
| Head Start | Human Services | X | X | | X | X |

WIA – Workforce Investment Act
WIC – Special Supplemental Nutrition Program for Women, Infants, and Children

¹Activities: Federal monies may have been expended for unallowable activities.

²Costs: Support was not retained for cost allocations.

³Eligibility: Benefits may have been awarded to ineligible participants.

⁴Match: Cash and in-kind matching contributions were not adequately supported and policies and procedures were not followed.

⁵Suspension: Suspension and debarment verifications were not documented.

Single Audit Fact Sheet

- Eleven weaknesses in financial reporting internal controls, including two material weaknesses. Of these 11 weaknesses, 9 relate to Maricopa County and 2 relate to the Sports Commission.
- Five material internal control weaknesses in federal compliance. Two instances in noncompliance with federal compliance requirements.
- Program costs totaling \$368 were questioned as a result of our audit.

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Maricopa County

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Year Ended June 30, 2008