



## REPORT HIGHLIGHTS

### FINANCIAL STATEMENT AND SINGLE AUDITS

### 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 reports on its internal control and compliance over financial reporting and major federal programs. The information in the County's fiscal year 2014 financial statements and schedule of federal awards is reliable. Our Office identified internal control deficiencies and instances of noncompliance over major programs. These findings are summarized on the next page.



2014

Year Ended June 30, 2014

## Condensed financial information

**Statement of net position**—This statement reports all of Maricopa County's assets, deferred outflows of resources, liabilities, 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 resources available for general operations.

**Statement of activities**—This statement reports all revenues, expenses, and the year's change 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. During fiscal year 2014, net position decreased by \$5.7 million, or 0.1 percent, as compared to an increase of \$95 million, or 2.1 percent, in fiscal year 2013.

**Schedule of expenditures of federal awards**—During fiscal year 2014, the County expended over \$171 million in federal awards. The County's federal award expenditures remained the same compared to fiscal year 2013.

### Condensed statement of net position Governmental and business-type activities As of June 30, 2014 (In millions)

<b>Assets</b>	
Current and other assets	\$1,483
Capital assets, net	3,566
Total assets	<u>5,049</u>
<b>Deferred outflows</b>	
Deferred charges	1
<b>Liabilities</b>	
Current liabilities	192
Noncurrent liabilities	222
Total liabilities	<u>414</u>
<b>Net position</b>	
Net investments in capital assets	3,452
Restricted	544
Unrestricted	640
Total net position	<u>\$4,636</u>

### Condensed statement of activities Governmental and business-type activities For the year ended June 30, 2014 (In millions)

<b>Program revenues</b>	
Governmental activities	\$ 555
Business-type activities	24
<b>General revenues</b>	
Governmental activities	1,231
Total revenues	<u>1,810</u>
<b>Expenses</b>	
Governmental activities	1,791
Business-type activities	25
Total expenses	<u>1,816</u>
Change in net position	(6)
Net position—beginning, as restated	4,642
Net position—ending	<u>\$4,636</u>

### Condensed schedule of expenditures of federal awards by grantor agency For the year ended June 30, 2014 (In millions)

Department of Health and Human Services	\$ 53
Department of Housing and Urban Development	25
Department of Transportation	23
Department of Justice	20
Department of Agriculture	18
Department of Education	14
Department of Labor	11
Other	7
Total federal expenditures	<u>\$ 171</u>

## Summary of audit findings and recommendations

For the financial statement audit, we found internal control weaknesses over the County's financial statement preparation, capital asset valuation, cash receipts, service organization monitoring, and information system access controls. For the federal compliance audit, we tested 11 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 six of its programs. Our Report on Internal Control and Compliance and our Single Audit Report contain further details to help the County correct these deficiencies. The most significant deficiencies are summarized below.

### County did not follow established procedures when valuing its capital assets and preparing its financial statements

Auditors found that the County's Department of Transportation did not follow its established procedures when valuing and reporting its transportation capital assets and initially overstated its capital assets. Specifically, the County incorrectly reported \$21 million for transportation infrastructure assets that were annexed in prior years by other municipalities, overstated donated assets by \$5.5 million, and incorrectly reported \$1.4 million in discontinued projects as capital assets. In addition, the County did not properly account for \$5.6 million in revenues in the financial statements. Specifically, the County included \$3.6 million of revenues earned in fiscal year 2013 for jails and incorrectly eliminated another \$2 million recorded as charges for services. The County made all necessary adjustments to accurately report its financial statements and related note disclosures.

#### Recommendation

The County should follow its current procedures when preparing its annual financial statements and related note disclosures. Specifically, the County should ensure that a detailed review is performed on all schedules supporting the financial statements and related note disclosures. This should include eliminating infrastructure assets that are annexed by other municipalities and properly accounting for donated assets. This will help ensure that the financial statements and related note disclosures are prepared in accordance with generally accepted accounting principles.