



## REPORT HIGHLIGHTS SINGLE AUDIT

### Subject

Pima County issues financial statements and a schedule of expenditures of federal awards annually. The County is responsible for preparing its statements and schedule, maintaining strong internal controls, demonstrating accountability for its use of public monies, and complying with federal program requirements. As the auditors, our job is to determine whether the County has met its responsibilities.

### Our Conclusion

The information in the County's financial statements is fairly stated in all material respects and the schedule of expenditures of federal awards is fairly stated in all material respects in relation to these financial statements. A summary of this information is presented on page 2. However, auditors identified internal control weaknesses and found instances of noncompliance. Those findings are summarized to the right.



# 2011

Year Ended June 30, 2011

## Summary of Audit Findings

For the financial statement audit, auditors identified internal control weaknesses over the County's Pima Health System and Services claims processing computer systems. For the federal compliance audit, auditors tested 10 federal programs under the guidelines established by the Single Audit Act and, for 2 of those programs, noted internal control weaknesses and noncompliance with program requirements. The Report on Internal Control and Compliance and the Single Audit Report include further details and auditor recommendations to help correct these deficiencies.

### Financial Statement Findings—

**Pima Health System and Services (a major enterprise fund)**—The County lacked adequate internal controls over the Pima Health System and Services claims processing computer systems. This caused delays and inaccurate medical and health care claims data to be submitted to the Arizona Health Care Cost Containment System resulting in excessive pending claims not being processed.

### Federal Award Findings—

**Neighborhood Stabilization Program (Recovery Act Funded)**—The County incorrectly included estimated future expenditures totaling \$442,985 and included inaccurate progress accomplishment information on their quarterly progress reports.

**Energy Efficiency and Conservation Block Grant**—The County requested and received reimbursement for \$9,315 in fringe benefits for all employees that worked on the program. However, per the grant agreement fringe benefits are unallowable.

## Pima Health System and Services Discontinuing Operations

Pima Health System and Services Enterprise Fund administered Pima County's contracts with the Arizona Health Care Cost Containment System (AHCCCS). The County operated and managed care plans that provided

coverage for medical services. Pima County's contracts with AHCCCS to provide these services to its plan members expired on October 1, 2011. Therefore, the County will no longer provide these healthcare services.

## Summary of Financial Information

Pima County combines and reports its financial balances and activities in two basic financial statements that provide readers with a broad overview of the County's finances in a manner similar to a private-sector business. A condensed summary of these statements and the County's Schedule of Expenditures of Federal Awards follows:

**Statement of Net Assets**—This statement reports all of Pima County's assets, liabilities, and net assets. Net assets, the difference between assets and liabilities, are reported in three major categories:

- Invested in capital assets, net of related debt, shows the equity in land, buildings, equipment, and infrastructure.
- Restricted net assets shows the net resources that must be used for restricted purposes as specified by other governments and external parties.
- Unrestricted net assets shows the net resources available for general operations.

**Statement of Activities**—This statement shows how net assets changed during the year. Revenues are reported as either program revenues (those generated by or dedicated to a specific program) or general revenues (taxes and revenues raised for general purposes). Additionally, revenues and expenses are reported as either governmental activities (principally supported by taxes and intergovernmental revenues) or business-type activities (principally supported by user fees and charges). The County's net assets increased by \$161 million during the fiscal year.

**Schedule of Expenditures of Federal Awards**—The County's governmental activities expenses included \$71 million in federal awards expended. This is a \$6 million increase from the prior year. The County's federal awards included \$22 million in American Reinvestment and Recovery Act monies, the majority of which was received from the Department of Housing and Urban Development for housing stabilization, the Department of Transportation for highway construction, and the Department of Health and Human Services for prevention and wellness.

Condensed Statement of Net Assets Governmental and Business-Type Activities June 30, 2011 (In Millions)	
<b>Assets</b>	
Current assets	\$ 756
Capital assets, net	<u>2,625</u>
Total assets	<u>3,381</u>
<b>Liabilities</b>	
Current liabilities	228
Long-term liabilities	<u>1,004</u>
Total liabilities	<u>1,232</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	1,712
Restricted	239
Unrestricted	198
Total net assets	<u>\$2,149</u>

Condensed Statement of Activities Governmental and Business-Type Activities Year Ended June 30, 2011 (In Millions)	
<b>Program revenues</b>	
Governmental activities	\$ 262
Business-type activities	372
<b>General revenues</b>	
Governmental activities	569
Business-type activities	<u>(1)</u>
Total revenues	<u>1,202</u>
<b>Expenses</b>	
Governmental activities	719
Business-type activities	<u>322</u>
Total expenses	<u>1,041</u>
Change in net assets	161
Net assets—beginning	<u>1,988</u>
Net assets—ending	<u>\$2,149</u>

Condensed Schedule of Expenditures of Federal Awards by Grantor Agency Year Ended June 30, 2011 (In Millions)	
Housing and Urban Development	\$15
Health and Human Services	13
Labor	9
Justice	6
Homeland Security	5
Transportation	5
Education	4
Other	<u>14</u>
Total federal expenditures	<u>\$71</u>

TO OBTAIN  
MORE INFORMATION

The County's  
Comprehensive Annual  
Financial Report, Report  
on Internal Control and  
Compliance, and Single  
Audit Report  
is available at:  
[www.azauditor.gov](http://www.azauditor.gov)

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Year Ended June 30, 2011