

REPORT HIGHLIGHTS FINANCIAL AND SINGLE AUDIT

Subject

Cochise County issues financial statements annually. The 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

Except that the Ft. Huachuca Accommodation School District Fund had unreconciled cash differences with the County Treasurer, the information in the financial statements is fairly stated in all material respects, and the financial statements can be relied on. Also, overall, the County maintained adequate internal controls over financial reporting and compliance and complied with federal program requirements. However, auditors found weaknesses in internal controls over financial reporting and compliance and noncompliance with federal program requirements, see page 2.



2009

Year Ended June 30, 2009

Condensed Financial Information

Government-wide financial statements provide readers with a broad overview of the County's finances in a manner similar to a private-sector business.

Statement of Net Assets—This statement reports all 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 external governments and other parties.
- Unrestricted net assets shows the net resources available to finance general operations.

Statement of Activities—This statement shows how net assets changed during the fiscal 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).

Condensed financial statements, which show that net assets increased during fiscal year 2009 by \$11,363,000, are presented to the right.

Condensed Statement of Net Assets Governmental and Business-type Activities As of June 30, 2009 (In Thousands)

Assets	
Current and other	\$ 87,807
Capital assets, net	155,539
Total assets	243,346
Liabilities	
Current	7,548
Noncurrent	16,063
Total liabilities	23,611
Net assets	
Invested in capital assets, net of related debt	146,361
Restricted	30,027
Unrestricted	43,347
Total net assets	\$219,735

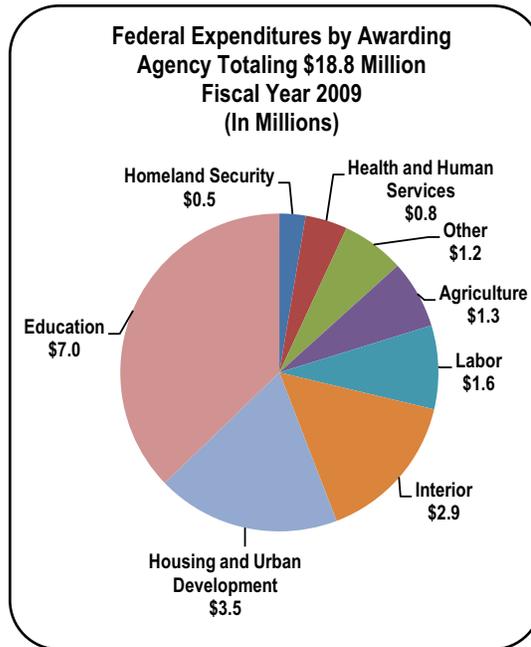
Condensed Statement of Activities Governmental and Business-type Activities As of June 30, 2009 (In Thousands)

Program revenues	
Governmental activities	\$ 43,800
Business-type activities	40,830
General revenues	
Governmental activities	57,846
Business-type activities	479
Total revenues	142,955
Expenses	
Governmental activities	90,652
Business-type activities	40,940
Total expenses	131,592
Change in net assets	11,363
Net assets—beginning	208,372
Net assets—ending	\$219,735

Overall Increase in Federal Award Expenditures

Overall expenditures of federal awards increased by approximately \$0.7 million, to \$18.8 million. The net increase primarily resulted from the following:

- \$0.5 million increase in the U.S. Department of Agriculture programs related primarily to the Schools and Roads—Grants to States program, because counties were allowed to elect to receive a share of the Secure Rural Schools State payment.
- \$1.5 million increase in the U.S. Department of the Interior programs related primarily to the Payments in Lieu of Taxes (PILT) program because the Emergency Economic Stabilization Act of 2008 increased PILT payments to the full entitlement levels for F/Y 2009.
- \$0.7 million increase in the U.S. Department of Labor programs due to additional monies received under the American Recovery and Reinvestment Act for the Workforce Investment Act programs.
- \$2.0 million decrease in the U.S. Department of Education federal Impact Aid program.



TO OBTAIN MORE INFORMATION

A copy of the full report is available at:
www.azauditor.gov

Contact person:
 Donna Miller
 (602) 553-0333

Audit Summary and Recommendations

The County did not have adequate written policies and procedures and staffing needed to prepare accurate and timely financial statements. As a result, the County did not submit its Single Audit Reporting Package to the federal clearinghouse by the March 31, 2010, deadline.

In addition, other auditors audited the Ft. Huachuca Accommodation School District Fund, a major fund, and noted inadequate internal controls over preparing financial statements, performing cash reconciliations with the County Treasurer, and reporting capital assets. The other auditors could not determine the accuracy of the District's cash and investment balances.

Recommendations

Financial statement preparation:

Establish and follow detailed, formally adopted written policies and procedures for preparing the financial statements and accompanying notes, and evaluate necessary staffing so that the County can submit its Single Audit Reporting Package to the clearinghouse no later than 9 months after fiscal year-end.

Cash reconciliations:

Ensure the Ft. Huachuca Accommodation School District prepares monthly reconciliations of cash on deposit with the County Treasurer on a timely basis and investigates and resolves any differences promptly to ensure accounting records are accurate.

Capital Assets:

Ensure the Ft. Huachuca Accommodation School District implements effective internal controls over capital assets and provides responsible individuals with the necessary training and time to devote to the capital asset records.

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 Year Ended June 30, 2009