


REPORT HIGHLIGHTS
FINANCIAL STATEMENT AND
SINGLE AUDITS

Our Conclusion

Coconino 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 the financial statements and schedule of expenditures of federal awards is presented to the right.

Based on our audits, we issued reports that included our opinion 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 2013 financial statements and schedule of federal awards is reliable. Our reports identified deficiencies the County should address to improve accountability. The most significant findings and recommendations are summarized on the next page.



2013

Year Ended June 30, 2013

Condensed financial information

Statement of net position—This statement reports all of the County's assets, liabilities, and net position using the accrual basis of accounting. Net position is reported in three major categories:

- **Net investment in capital assets**—shows the equity in land, buildings, machinery and 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. During fiscal year 2013, net position was nearly unchanged, as compared to an increase of \$1.53 million, or 0.7 percent, in fiscal year 2012.

Schedule of expenditures of federal awards—During fiscal year 2013, the County expended \$17 million in federal awards. The County's federal award expenditures increased by approximately \$2.1 million, or 14.1 percent, compared to fiscal year 2012.

Condensed statement of net position
Governmental activities
As of June 30, 2013
(In millions)

Assets	
Current and other assets	\$106
Capital assets, net	<u>146</u>
Total assets	<u>252</u>
Liabilities	
Current	9
Noncurrent	<u>11</u>
Total liabilities	<u>20</u>
Net position	
Net investment in capital assets	145
Restricted	64
Unrestricted	<u>23</u>
Total net position	<u>\$232</u>

Condensed statement of activities
Governmental activities
For the year ended June 30, 2013
(In millions)

Program revenues	
Charges for services	\$ 13
Operating grants and contributions	<u>36</u>
Total program revenues	<u>49</u>
General revenues	
Property taxes	20
Sales tax	26
Other	<u>24</u>
Total general revenues	<u>70</u>
Total revenues	<u>119</u>
Expenses	
Changes in net position	0
Net position—beginning	<u>232</u>
Net position—ending	<u>\$232</u>

Condensed schedule of expenditures
of federal awards by grantor agency
For the year ended June 30, 2013
(In thousands)

Department of Agriculture	\$ 7,588
Department of Health and Human Services	2,027
Department of Interior	1,605
Department of Homeland Security	1,529
Department of Education	1,077
Department of Labor	1,063
Corporation for National and Community Service	1,043
Other	<u>1,058</u>
Total federal expenditures	<u>\$16,990</u>

Summary of audit findings and recommendations

For the financial statement audit, we found three internal control weaknesses. For the federal compliance audit, we tested eight 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 three of its programs. Our Single Audit Report includes a Schedule of Findings and Questioned Costs that contains further details to help the County correct these deficiencies. The most significant findings and recommendations are summarized below.

County did not follow established procedures when preparing financial statements and notes

The County did not follow its established policies and procedures when preparing its financial statements and incorrectly overstated accounts payable by \$3.1 million and misclassified net position by \$40 million. Also, the County overstated intergovernmental revenues by \$287,000 in the Public Health Services District Fund. In addition, in the notes to the financial statements, the County did not properly disclose custodial risk for \$3.8 million in deposits. The County made all necessary adjustments to accurately report its financial statements and related note disclosures for these errors.

Recommendation

The County should follow its established policies and procedures when preparing its annual financial statements and related note disclosures. In addition, to help improve the process, the County should have a knowledgeable employee conduct an independent detailed review of all schedules supporting the financial statements and note disclosures. This will help ensure that the County prepares the financial statements and note disclosures in accordance with generally accepted accounting principles.