



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 reports that included our opinions on the County's financial statements and its 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 internal control deficiencies and instances of noncompliance over major programs. These findings 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, 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, expenditures, 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 increased by \$95 million, or 2.1 percent, as compared to an increase of \$63 million, or 1.4 percent, in fiscal year 2012.

Schedule of expenditures of federal awards—During fiscal year 2013, the County expended \$171 million in federal awards. The County's federal award expenditures increased by approximately \$14 million, or 9 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	\$1,631
Capital assets, net	3,490
Total assets	<u>5,121</u>
Liabilities	
Current	212
Noncurrent liabilities	<u>252</u>
Total liabilities	<u>464</u>
Net position	
Net investments in capital assets	3,359
Restricted	617
Unrestricted	<u>681</u>
Total net position	<u>\$4,657</u>

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

Program revenues	
Charges for services	\$ 260
Operating grants and contributions	271
Capital grants and contributions	<u>50</u>
Total program revenues	<u>581</u>
General revenues	
Property taxes	523
Sales tax	667
Other	<u>27</u>
Total general revenues	<u>1,217</u>
Total revenues	<u>1,798</u>
Expenditures	<u>1,703</u>
Change in net position	95
Net position—beginning	<u>4,562</u>
Net position—ending	<u>\$4,657</u>

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

Department of Health and Human Services	\$ 52
Department of Transportation	36
Department of Housing and Urban Development	30
Department of Agriculture	16
Department of Labor	14
Department of Education	10
Department of Justice	6
Other	<u>7</u>
Total federal expenditures	<u>\$171</u>

Summary of audit findings and recommendations

For the financial statement audit, we found the County did not follow its procedures when preparing the financial statements and related note disclosures. For the federal compliance audit, we tested eight federal programs under the major program guidelines established by the Single Audit Act and found that the County did not always have adequate internal controls and did not always comply with federal program requirements for five of its programs. Our Report on Internal Control and Compliance over financial reporting and our Single Audit Report over federal programs contain 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

Auditors found that the County did not follow its established procedures when preparing its financial statements and incorrectly recorded approximately \$3 million of liabilities and misclassified approximately \$35 million of fund balance. Also, in the notes to the financial statements, the County did not properly disclose custodial and credit risk for \$15.5 million in deposits and excluded \$13.2 million of court fees from the retirement note. 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 note disclosures. Specifically, the County should ensure that a detailed review is performed on all schedules supporting the financial statements and note disclosures. This will help ensure that the financial statements and notes disclosures are prepared in accordance with generally accepted accounting principles.

Noncompliance with federal program requirements

- The County did not comply with the Justice Assistance Grant (JAG) Program Cluster's federal program requirements for claiming administrative costs reimbursement, resulting in unallowable costs of \$61,330. In addition, the County had not properly accounted for \$238,426 of prior years' grant monies received for administrative costs by grant award and may need to return some of these monies to the grantor agency.
- The County did not separately account for \$221,685 of federal and nonfederal program income earned for the JAG Program Cluster by award year and type. As a result, the County could not demonstrate that program income was spent for approved projects prior to the end of each grant award.

Recommendation

To help ensure compliance with federal requirements, the County should:

- Review grant expenditures to ensure administrative costs incurred are allowable and eligible for reimbursement. Monies received for administrative costs that have not been spent by the end of the grant award should be returned to the grantor.
- Separately account for program income by award year and type in its accounting records. Program income not spent for approved projects prior to the end of the grant award should be returned to the grantor.