



## REPORT HIGHLIGHTS

### FINANCIAL STATEMENT AND SINGLE AUDITS

### Our Conclusion

Pima 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 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 2014 financial statements and schedule of expenditures of federal awards is reliable. Our Office identified an internal control deficiency and an instance of noncompliance over a major federal program. This finding is summarized on the next page.



2014

Year Ended June 30, 2014

## Condensed financial information

**Statement of net position**—This statement reports all of Pima 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 increased by \$44 million, or 2 percent, as compared to an increase of \$47 million, or 2 percent, in fiscal year 2013.

**Schedule of expenditures of federal awards**—During fiscal year 2014, the County's governmental activities expenses included \$51 million in federal awards expended. The County's federal award expenditures decreased by \$10 million, or 20 percent, 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 assets	\$ 754
Capital assets, net	3,222
Total assets	<u>3,976</u>
<b>Deferred outflows</b>	4
<b>Liabilities</b>	
Current	116
Noncurrent	1,504
Total liabilities	<u>1,620</u>
<b>Net position</b>	
Net investment in capital assets	1,941
Restricted	217
Unrestricted	202
Total net position	<u>\$2,360</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	\$ 233
Business-type activities	188
<b>General revenues</b>	
Governmental activities	527
Business-type activities	19
Total revenues	<u>967</u>
<b>Expenses</b>	
Governmental activities	769
Business-type activities	154
Total expenses	<u>923</u>
Change in net position	44
Net position—beginning	2,316
Net position—ending	<u>\$2,360</u>

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

Department of Transportation	\$12
Department of Health and Human Services	8
Department of Labor	7
Department of Housing and Urban Development	7
Department of Justice	4
Department of the Interior	3
Other	10
Total federal expenditures	<u>\$51</u>

## Summary of audit finding and recommendation

For the financial statement audit, we reported no internal control deficiencies. For the federal compliance audit, we tested seven 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 one of those programs. Our Single Audit Report over federal programs contains further details to help the County correct this deficiency. We summarize the finding and recommendation below.

### Noncompliance with federal program requirements

The County expended approximately \$1.7 million of its Special Supplemental Nutrition Program for Women, Infants, and Children Program monies on salaries and wages. The County charged salaries and wages to the program using estimates based on predetermined distribution percentages. However, the County could not demonstrate that its estimated distribution percentages were reasonable approximations of the actual time and effort employees spent working on the program.

### Recommendation

To help improve internal controls over its federal programs and help ensure compliance with federal requirements, the County should:

Prepare and maintain documentation supporting the distribution of salaries and wages to federal programs and ensure that distribution percentages approximate the actual time and effort employees spent working on the program.