



## REPORT HIGHLIGHTS

### FINANCIAL STATEMENT AND SINGLE AUDITS

### Our Conclusion

Yavapai 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 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 2012 financial statements and schedule of expenditures of federal awards is reliable. Our reports identified internal control weaknesses and instances of noncompliance over major federal programs. These findings are summarized on the next page.



2012

Year Ended June 30, 2012

## Condensed financial information

**Statement of net assets**—This statement reports all of Yavapai 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**—shows the resources that must be used for restricted purposes as specified by donors and 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 assets. 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 2012, net assets decreased by \$5.2 million, or 2 percent, as compared to an increase of \$5.8 million, or 2 percent, in fiscal year 2011.

**Schedule of expenditures of federal awards**—During fiscal year 2012, the County expended \$12 million in federal awards. The County's federal award expenditures decreased by \$1.1 million, or 8 percent, compared to fiscal year 2011.

### Condensed statement of net assets

#### Governmental activities<sup>1</sup>

#### As of June 30, 2012

#### (In thousands)

<b>Assets</b>	
Current assets	\$ 99,983
Capital assets, net	258,076
Total assets	<u>358,059</u>
<b>Liabilities</b>	
Current	12,063
Long-term	35,194
Total liabilities	<u>47,257</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	233,664
Restricted	30,245
Unrestricted	46,893
Total net assets	<u>\$310,802</u>

<sup>1</sup> During fiscal year 2012, the County closed its business-type activities Long-term Care fund and transferred all remaining assets and liabilities to its governmental activities.

### Condensed statement of activities

#### Governmental and business-type activities

#### For the year ended June 30, 2012

#### (In thousands)

<b>Program revenues</b>	
Governmental activities	\$ 51,476
Business-type activities	11,968
<b>General revenues</b>	
Governmental activities	117,789
Business-type activities	18
Total revenues	<u>181,251</u>
<b>Expenses</b>	
Governmental activities	168,587
Business-type activities	17,879
Total expenses	<u>186,466</u>
Changes in net assets	(5,215)
Net assets—beginning	316,017
Net assets—ending	<u>\$310,802</u>

### Condensed schedule of expenditures of federal awards by grantor agency

#### For the year ended June 30, 2012

#### (In thousands)

U.S. Department of Agriculture	\$ 3,846
U.S. Department of Health and Human Services	2,432
U.S. Department of Labor	1,992
U.S. Department of Transportation	1,354
U.S. Department of Education	1,076
Other	1,334
Total federal expenditures	<u>\$12,034</u>

## Summary of audit findings and recommendations

Our Report on Internal Control and Compliance over financial reporting did not include any reported deficiencies. 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 Single Audit Report over federal programs contains further details to help the County correct these deficiencies. The most significant findings and recommendations are summarized below.

### Noncompliance with federal program requirements

- The County fraudulently obtained \$19,473 in the federal State Fiscal Stabilization Fund program monies. The former finance administrator at the County School Superintendent's Office created four fictitious invoices and submitted them for reimbursement, and the County received the monies from the grantor. The monies were used to pay for costs incurred that were unallowable under the grant program. The County may be required to reimburse the federal government for these fraudulent claims.
- The County could not provide evidence verifying that salaries and wages totaling \$54,025 and \$356,954, respectively, that were paid with federal Mathematics and Science Partnerships and Special Education Cluster programs monies were actually for employee time and effort spent working on these programs. Specifically, the County used pre-established budgeted distribution percentages rather than actual time and effort spent by employees working on these programs to determine the salaries and wages to be paid with federal monies.
- The County's Public Works Department did not retain adequate support to verify that it complied with the Cooperative Forestry Assistance program's requirement to match federal monies with monies from nonfederal sources to benefit the program's initiatives. Specifically, the County claimed that it matched \$11,144 from nonfederal sources for this program. However, the County did not retain adequate documentation for us to verify that this amount was accurate and from an allowable nonfederal source.

### Recommendations

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

- Review all reimbursement requests prior to submitting them and ensure that the responsibilities of preparing the reimbursement requests and reviewing them are performed by separate individuals.
- Prepare monthly time and effort logs, compare actual costs to budgeted distributions at least quarterly, and make any necessary adjustments to the accounting records to ensure that salaries and wages charged to federal programs reflect actual time and effort spent working on those federal programs.
- Retain adequate documentation to support that it used monies from nonfederal revenue sources to benefit the program's initiatives.