

## Cochise County

**CONCLUSION:** Cochise County is responsible for preparing its annual financial report and a federal expenditure schedule, 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 County's financial statements and federal expenditure schedule is presented below.

Based on our audits, we issued opinions on the County's financial statements and federal expenditure schedule and issued reports on internal control and on compliance over financial reporting and major federal programs. The information in the County's fiscal year 2016 financial statements and schedule is reliable. Our Office identified an internal control weakness and an instance of noncompliance over one major federal program. This finding is summarized on the next page.

### Condensed financial information

**Statement of net position**—This statement reports all of the County's assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 remaining net position balance after allocating the net investment in capital assets and restricted balances.

**Statement of activities**—This statement reports all revenues, expenses, and other changes 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. Net position increased by almost \$3.4 million, or 3.0 percent, in fiscal year 2016.

**Federal expenditure schedule**—During fiscal year 2016, the County expended approximately \$11.0 million in federal awards. However, the federal programs administered by the Housing Authority of Cochise County and the Cochise Private Industry Council, Inc., are not included in the County's fiscal year 2016 federal expenditure schedule. The two entities were reported as discretely presented component units, received separate compliance audits performed by other auditors, and expended almost \$5.0 million in federal awards for the year ended June 30, 2016.

#### Statement of net position

As of June 30, 2016 (In thousands)

<b>Assets and deferred outflows</b>	
Current and other assets	\$ 81,819
Capital assets, net of depreciation	130,475
Deferred outflows of resources	15,242
<b>Total assets and deferred outflows</b>	<b>227,536</b>
<b>Liabilities and deferred inflows</b>	
Current liabilities	4,021
Noncurrent liabilities:	
Net pension liability	93,921
Other	8,348
Deferred inflows of resources	6,607
<b>Total liabilities and deferred inflows</b>	<b>112,897</b>
<b>Net position</b>	
Net investment in capital assets	129,182
Restricted	15,177
Unrestricted	(29,720)
<b>Total net position</b>	<b>\$114,639</b>

#### Statement of activities

Year ended June 30, 2016 (In thousands)

<b>Program revenues</b>	
Governmental activities	\$ 33,729
Business-type activities	4,590
<b>General revenues</b>	
Governmental activities	58,662
Business-type activities	321
<b>Total revenues</b>	<b>97,302</b>
<b>Expenses</b>	
Governmental activities	88,840
Business-type activities	5,078
<b>Total expenses</b>	<b>93,918</b>
Increase/decrease in net position	3,384
Net position—beginning	111,255
<b>Net position—ending</b>	<b>\$114,639</b>

#### Federal expenditure schedule

Year ended June 30, 2016 (In thousands)

<b>Federal grantor agency</b>	
Department of Interior	\$2,337
Department of Agriculture	1,004
Department of Homeland Security	976
Department of Health and Human Services	896
Other	775
<b>Total federal expenditures</b>	<b>\$5,988</b>

## Understanding the County's financial report

Understanding how to extract information from the County's financial report is important when reviewing financial performance and evaluating future financial decisions. As described below, our Office's financial report user guide and internal control and compliance reports user guide, available at [azauditor.gov](http://azauditor.gov) under reports and publications, help users identify and understand important and useful information in the County's financial report and our reports on internal control and on compliance over financial reporting and federal programs. Specifically:

- **Financial report user guide**—describes key financial information contained in county financial reports and indicates where to find this information. Key components in a financial report include the independent auditors' report, management's discussion and analysis, government-wide financial statements, fund financial statements, notes to financial statements, and other required supplementary information.
- **Internal control and compliance reports user guide**—describes our internal control and compliance reports over financial reporting and federal programs. Those reports, which are included in our single audit report, provide information about whether the County has effective internal control procedures and whether it has complied with certain financial- and federal-related laws and regulations.

## Summary of audit finding and recommendation

For the financial statement audit, we reported no internal control weaknesses or instances of noncompliance over financial reporting. For the federal compliance audit, we tested three 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 its federal programs. Our single audit report includes a schedule of findings and questioned costs that contains further details to help the County correct the internal control weakness and instance of noncompliance summarized below.

**County did not comply with Homeland Security Grant Program requirements and its own policies over capital assets**—For the Homeland Security Grant Program, the County did not maintain effective control over equipment purchases made with federal monies. Specifically, not all equipment items purchased with federal program monies were tagged with a specific identification number. Failure to maintain control over equipment could result in equipment being lost, stolen, damaged, or misused.

### Recommendation

To comply with federal regulations and county policy, and to help prevent loss, theft, damage, or misuse of equipment purchased with federal monies, the County should ensure that it follows its policy that requires all equipment items to be properly tagged with a specific identification number.