

## Gila County

**CONCLUSION:** Gila 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 internal control weaknesses and instances of noncompliance over financial reporting and major federal programs. The most significant findings are 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. 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 decreased by \$2.4 million, or 10.8 percent, in fiscal year 2016.

**Federal expenditure schedule**—During fiscal year 2016, the County expended \$9.8 million in federal awards. The County's federal award expenditures decreased by \$3.0 million, or 23.7 percent, compared to fiscal year 2015.

### Statement of net position

As of June 30, 2016 (In thousands)

<b>Assets and deferred outflows</b>	
Current and other assets	\$ 53,017
Capital assets, net of depreciation	35,827
Deferred outflows of resources	7,620
<b>Total assets and deferred outflows</b>	<b>96,464</b>
<b>Liabilities and deferred inflows</b>	
Current liabilities	4,628
Noncurrent liabilities	
Net pension liability	53,808
Other	13,110
Deferred inflows of resources	5,253
<b>Total liabilities and deferred inflows</b>	<b>76,799</b>
<b>Net position</b>	
Net investment in capital assets	29,903
Restricted	24,416
Unrestricted	(34,654)
<b>Total net position</b>	<b>\$ 19,665</b>

### Statement of activities

Year ended June 30, 2016 (In thousands)

<b>Program revenues</b>	
Governmental activities	\$19,933
Business-type activities	1,692
<b>General revenues</b>	
Governmental activities	38,768
Business-type activities	20
<b>Total revenues</b>	<b>60,413</b>
<b>Expenses</b>	
Governmental activities	61,401
Business-type activities	1,387
<b>Total expenses</b>	<b>62,788</b>
Decrease in net position	(2,375)
Net position—beginning	22,040
<b>Net position—ending</b>	<b>\$19,665</b>

### Federal expenditure schedule

Year ended June 30, 2016 (In thousands)

<b>Federal grantor agency</b>	
Department of the Interior	\$3,716
Department of Agriculture	2,197
Department of Health and Human Services	1,986
Other	1,892
<b>Total federal expenditures</b>	<b>\$9,791</b>

## Summary of audit findings and recommendations

For the financial statement audit, we found internal control weaknesses over the County's financial statement preparation, capital assets, revenue recognition, cash receipts, pension contributions, conflict-of-interest statements, and information technology risk assessment, system access controls, and contingency planning. For the federal compliance audit, we tested four 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 two 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 weaknesses and instances of noncompliance. Some of the most significant findings and recommendations are summarized below.

**County lacked adequate policies and procedures over preparing and reviewing its annual financial report**—The County's Board of Supervisors and management depend on accurate financial information prepared in accordance with U.S. generally accepted accounting principles (GAAP) to fulfill their oversight responsibilities and to report accurate and timely information to the public and agencies from which the County receives funding. However, the County lacked adequate internal controls over preparing its annual financial report. We found approximately \$4.5 million in errors that the County had to correct so that its financial report amounts and note disclosures were reliable. In addition, it was not issued in time to meet the federal Single Audit Act's reporting deadline, which is 9 months after fiscal year-end.

### Recommendation

The County should develop and implement comprehensive written policies and procedures for preparing its annual financial report. These procedures should include instructions for compiling information and a thorough review to help ensure that the annual financial report is accurate and complete and prepared in accordance with GAAP. In addition, the County should dedicate the appropriate resources, assign employees specific responsibilities, and establish completion dates for ensuring timely financial reporting.

**County failed to ensure that only allowable costs were charged to the Child Support Enforcement program (CSE program)**—The County received over \$427,054 in federal reimbursements for its CSE program. However, the County claimed for reimbursement unallowable or unsupported costs for which the exact amounts could not be determined. These included costs such as indirect costs, incentive pay, and building costs that were either unallowable or not adequately supported.

### Recommendation

The County should develop and implement policies and procedures to ensure that all costs charged to the CSE program and claimed for reimbursement are allowable and adequately documented in accordance with federal cost principles.