

## Gila County

**CONCLUSION:** Based on our audits, we issued opinions on the County's financial statements and federal expenditure schedule concluding that the information in those statements and schedule is reliable. We also issued reports over the County's internal control and compliance over financial reporting and select federal programs, which identified internal control weaknesses over financial reporting and internal control weaknesses and instances of noncompliance over federal awards that are explained on the next page.

### County overview

**County provided wide range of services for its citizens**—In fiscal year 2017, the County provided a wide range of government services for over 53,500 citizens. In addition to managing general operations, such as property assessments and taxes, budgeting and finance, and elections, the County provided for public safety, such as law enforcement and court services; public health and welfare by providing medical assistance and contributions to Arizona's long-term care system; highway and street maintenance and construction; and community resources, such as libraries, parks and recreation, and accounting services to school districts. The County is located in the central part of Arizona and encompasses 4,758 square miles.

**County responsible for accurate financial report**—The County is responsible for accurately preparing its [Annual Financial Report \(Report\)](#), maintaining effective internal controls, and being accountable for its use of public monies. Select financial information from the County's Report is presented below. However, the County's Report should be read to fully understand its overall financial picture. Our Office's [Financial Report User Guide for State and Local Governments](#) will help readers identify and understand important and useful information in the County's Report.

### County financial information

#### Asset, liability, and net position balances on June 30, 2017

**Total assets/deferred outflows = \$96.7 million**

**Select asset balances:**

\$43.9 M	Cash and investments
36.3	Capital assets
5.1	Due from others and receivables

**Total liabilities/deferred inflows = \$79.0 million**

**Select liability balances:**

\$57.4 M	Noncurrent employee benefits
7.3	Long-term debt
3.7	Current payables

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**County's net position = \$17.7 million**

None of this net position is unrestricted

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#### Revenues and expenses during fiscal year 2017<sup>1</sup>

**Total revenues = \$57.7 million**

**Select revenue sources:**

\$21.4 M	County property taxes
17.9	Federal and State grants and programs
7.4	Shared State sales taxes
4.5	County sales taxes

**Total expenses = \$59.7 million**

**Select expenses by function:**

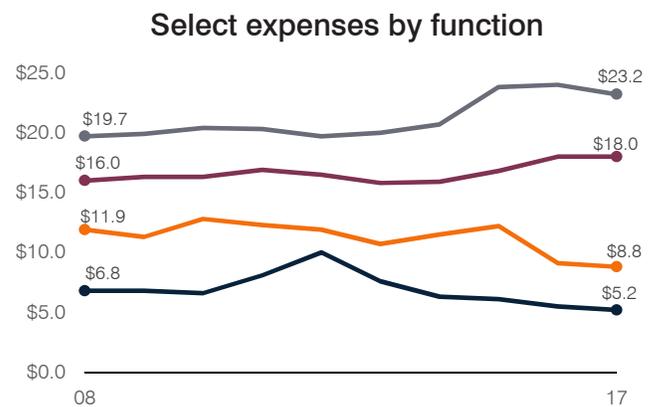
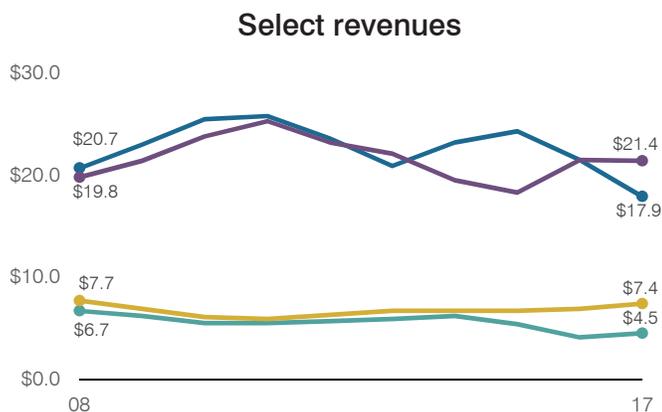
\$23.2 M	General government
18.0	Public safety
8.8	Health and welfare
5.2	Highways and streets

<sup>1</sup> Increases in the County's estimated long-term net pension liability primarily contributed to its total government expenses exceeding revenues by \$2.0 million, or 3.4 percent. The County's Annual Financial Report contains further information that addresses this outcome in fiscal year 2017.

## Select revenues and expenses by function

Fiscal years 2008 through 2017

(In millions)



- County property taxes**—Taxes the County levies on the assessed value of real and personal property within the County. The County Treasurer collects the tax revenues.
- Federal and State grants and programs**—Federal and State government grants and programs awarded as assistance to the County and its citizens, including highway user tax revenues for authorized transportation purposes.
- Shared State sales taxes**—Sales taxes the State of Arizona collects and the Arizona State Treasurer distributes to the County based on the State’s statutory distribution formulas.
- County sales taxes**—Local sales taxes, including \$1.4 million restricted for transportation purposes in fiscal year 2017.
- General government**—General operation, oversight, and administration of County operations, including property assessments and taxes, budgeting and finance, and elections.
- Public safety**—Protection of the County’s persons and property. The largest portion of these expenses are for County jail operations, County Sheriff’s office services, and probation services.
- Health and welfare**—Public assistance and institutional care for individuals who are economically unable to provide for themselves, including required State shared sales taxes withheld for Arizona’s long-term care system.
- Highways and streets**—Construction and maintenance of highways, streets, and bridges within the County.

Source: Auditor General staff summary of information obtained from the County’s Annual Financial Reports.

## Audit findings and recommendations

Below is a summary of our reports over the County’s internal control and compliance over financial reporting and over federal programs that are included in the County’s [Single Audit Report](#), where there is detailed information about our findings and the County’s responses. For help in understanding important information presented in these reports, please refer to our Office’s [Internal Control and Compliance Reports User Guide](#).

### Financial reporting internal control

We found that the County needed improvements in certain controls and reported 9 findings over areas including the awarding of economic development monies, Supervisor travel expenditures, financial statement preparation, capital assets management, information technology systems, conflicts of interest monitoring, transfers of monies between County funds, and the collateralization of public deposits. Notably, because the County lacked policies and procedures over financial statement preparation, the County’s financial and federal compliance reports were not completed in time to meet the federal deadline of 9 months after fiscal year end.

### Financial findings and recommendations

### Federal internal control and compliance

The County spent over \$4.0 million of federal program monies during the fiscal year. We tested 5 federal programs selected under the major program guidelines established by the Single Audit Act, including schools and roads, housing assistance, public health emergencies, HIV care, and child support enforcement, which totaled nearly \$1.7 million. We reported weaknesses in internal control and instances of noncompliance over the County’s administration of federal programs for all programs tested except for HIV care.

### Federal findings and recommendations