



REPORT HIGHLIGHTS

FINANCIAL STATEMENT AND SINGLE AUDITS

Our Conclusion

Mohave 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 those 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 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 federal awards is reliable. Our Office identified internal control deficiencies over financial reporting and instances of noncompliance over federal programs. These findings are summarized on the next page.



2014

Year Ended June 30, 2014

Condensed financial information

Statement of net position—This statement reports all of the County's assets, liabilities and net position using the accrual basis of accounting. 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 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. During fiscal year 2014, net position increased by \$1 million, or less than 1 percent, as compared to an increase of \$1.7 million, or less than 1 percent, in fiscal year 2013.

Schedule of expenditures of federal awards—During fiscal year 2014, the County expended \$11.2 million in federal awards. The County's federal award expenditures decreased by approximately \$0.7 million, or 6.3 percent, compared to fiscal year 2013.

Condensed statement of net position Governmental and business-type activities As of June 30, 2014 (In thousands)

Assets	
Current and other assets	\$130,709
Capital assets, net of depreciation	267,254
Total assets	<u>397,963</u>
Liabilities	
Current liabilities	6,795
Noncurrent liabilities	43,189
Total liabilities	<u>49,984</u>
Net position	
Net investment in capital assets	240,859
Restricted	74,028
Unrestricted	<u>33,092</u>
Total net position	<u>\$347,979</u>

Condensed statement of activities Governmental and business-type activities For the year ended June 30, 2014 (In thousands)

Program revenues	
Charges for services	\$ 21,372
Operating grants and contributions	27,141
Capital grants and contributions	570
Total program revenues	<u>49,083</u>
General revenues	
Property taxes	49,635
Sales taxes	26,651
Other	14,474
Total general revenues	<u>90,760</u>
Total revenues	<u>139,843</u>
Expenses	
Change in net position	1,012
Net position—beginning	<u>346,967</u>
Net position—ending	<u>\$347,979</u>

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

Department of the Interior	\$ 3,573
Department of Housing and Urban Development	3,200
Department of Labor	1,295
Department of Health and Human Services	1,141
Department of Agriculture	960
Department of Justice	598
Other	463
Total federal expenditures	<u>\$11,230</u>

Summary of audit findings and recommendations

For the financial statement audit, we found internal control weaknesses over the County's financial statement preparation, information technology (IT) systems, and property tax assessments. For the federal compliance audit, we tested five 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 three of its federal programs. Our Single Audit Report contains further details to help the County correct these deficiencies. The most significant are summarized below.

Inadequate preparation of the financial statements

The County lacked adequate internal controls over the preparation of its financial statements and related note disclosures. As a result, the County's financial statements and note disclosures were inaccurate and incomplete. For example, fund balances and net position were not properly classified, resulting in errors ranging from approximately \$3.6 million to \$16 million. In addition, note disclosures for deposits and investments were not correctly reported, resulting in misclassifications ranging from \$18 million to \$100 million, and disclosures for contingent liabilities were omitted. The County made the necessary adjustments to correct the financial statements.

Recommendation

The County should develop and implement written policies and procedures for preparing its financial statements and note disclosures. These procedures should include instructions for compiling information, dedicating appropriate resources, and implementing a thorough review to help ensure that the financial statements are accurate and complete and prepared in accordance with generally accepted accounting principles.

Inadequate IT systems controls

We noted several areas where the County needs to improve its information technology (IT) system policies and procedures to better secure systems and data. For example, the County lacked policies and procedures for several areas related to IT security; plans for keeping IT personnel trained on IT security risks, controls, and practices and responding to information security incidents; and a formal security awareness program. In addition, the County did not have adequate policies and procedures for granting, monitoring, and removing access to IT systems and for ensuring that excessive and incompatible access roles were not assigned. Finally, the County did not have documented policies and procedures for making system changes to help ensure that a standardized process is consistently applied, and did not have an overall disaster recovery plan that encompassed all of its critical IT systems.

Recommendation

The County should improve its IT system policies and procedures to better secure systems and data. These policies and procedures should be documented and include the County's plans for keeping IT personnel up-to-date and trained and responding to information security incidents, as well as a security awareness program for all employees. In addition, the County needs to develop and implement policies and procedures for accessing, changing, backing up, and recovering its IT systems and data.