

## La Paz County

### Annual financial statement and compliance audits

The County's fiscal year 2022 reported financial information is reliable. However, the County's auditors reported deficiencies and noncompliance over financial reporting, summarized on the next page.<sup>1</sup>

#### Audits' purpose

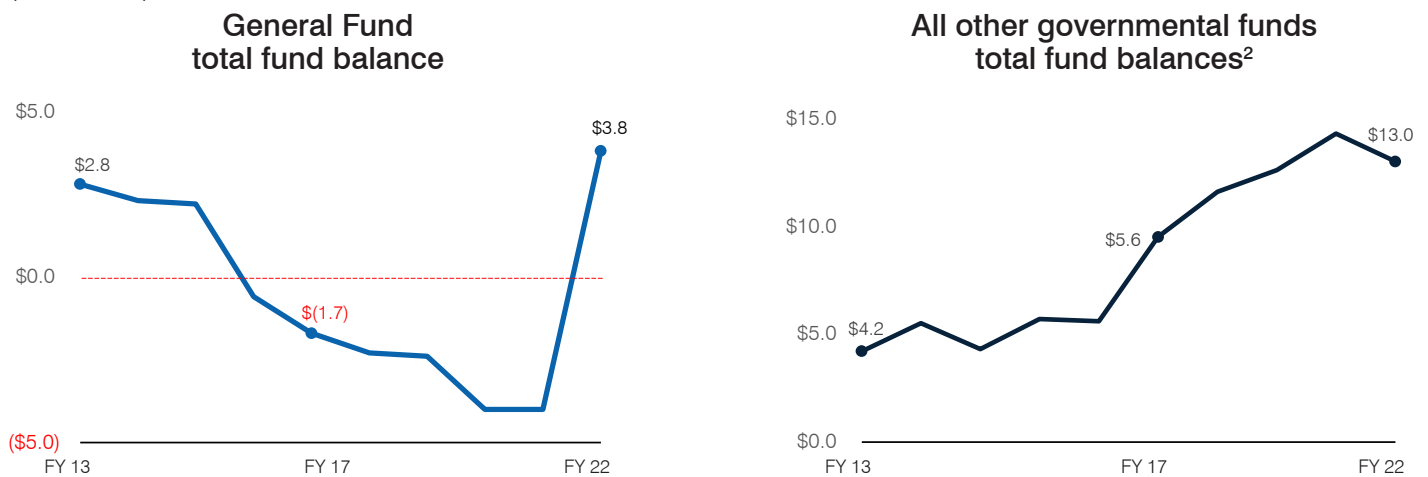
To express opinions on the County's financial statements and on compliance with certain federal requirements and, if applicable, to report findings over noncompliance with certain laws and regulations or other financial deficiencies.

#### Fund balance trends, including the General Fund's deficit balance

Beginning in fiscal year 2016, the County's General Fund, which is its primary operating fund, had a fund balance that fell below zero and steadily declined from a deficit of \$(0.6) million at the end of fiscal year 2016 to \$(4.0) million at the end of fiscal year 2021. During fiscal year 2022, the County's General Fund's fund balance increased to a positive balance of \$3.8 million. As shown in the second graphic, the total of all other County governmental funds' fund balances generally increased, especially from the end of fiscal year 2017 through the end of fiscal year 2021, which showed an increase of \$8.7 million over that 4-year period. However, several individual funds still have deficit fund balances, including the County's Jail District Fund that had a \$984,217 deficit fund balance at the end of fiscal year 2022. These total fund balances and their increases have been primarily from revenues that are externally restricted or committed for specific purposes, mostly consisting of the State's highway user revenue fund revenues constitutionally restricted for highway and street purposes and from excise tax revenues statutorily restricted for bonds payable. Although the General Fund's fund balance increased at the end of fiscal year 2022, this increase was likely due to the transfer of expenditures from the General Fund to the Coronavirus Recovery Fund to account for the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program that is only a temporary source of funding. Further, the other governmental funds' total fund balances decreased \$1.3 million at the end of fiscal year 2022, meaning that the County still needs to carefully manage resources to ensure it can finance its current and future general operations after all COVID-related funding has been exhausted.

#### Fiscal years (FY) 2013 through 2022

(In millions)



Source: Auditor General staff summary of information obtained from the County's financial statements.

<sup>1</sup> The certified public accounting firm HintonBurdick, PLLC, conducted these audits under contract with the Arizona Auditor General in accordance with Arizona Revised Statutes §41-1279.21.

<sup>2</sup> Fund balances consist of all fund assets, such as cash and investments and amounts receivable from property taxes and due from other governments and other County funds; less all fund liabilities, such as accounts payable, unpaid employee payroll and benefits, and amounts due to other governments and other County funds. Fund balances may consist of various classifications, including amounts restricted by external parties, such as from restricted State revenues or federal grants and amounts committed by the County's Board of Supervisors for specific services. If the County's liabilities are greater than its assets, a total deficit fund balance is created.

## Auditor findings and recommendations

The County's auditors reported several findings and recommendations that are included in the County's combined [Annual Financial and Single Audit Reports](#), where there is further information and the County's responses. Some of these findings and recommendations are summarized below:

- The County needs to improve its financial oversight to prevent cash deficits and the misuse of restricted monies and its budgetary oversight to prevent budget overages, unauthorized spending, and noncompliance.

To correct these deficiencies, the County needs to develop written policies and procedures to ensure that all cash balances are regularly monitored and reconciled throughout the fiscal year. These procedures should include reconciling the accounting system to the County Treasurer's system and other accounts monthly and separating employee responsibilities for the custody, authorization, and recordkeeping of cash receipts. Further, policies and procedures should be established to enforce budgets so that expenditures do not exceed the County's adopted budget at the department level and to require expenditures exceeding a department's budgeted expenditures to be approved by the Board of Supervisors. The County also needs to develop a formal plan to reimburse the amounts it improperly loaned from restricted resources. Similar findings in various forms have been reported in at least the last 10 years.

- The County also needs to improve and implement policies and procedures over various other areas as follows:
  - Financial statement preparation and federal compliance, which are important so that timely and accurate financial information is available for decision making, federal grants are adequately monitored, and information is compiled timely enough to meet statutory and federal deadlines.
  - Cash receipts and inventories, which are susceptible to theft, loss, or misuse, and should be accurately recorded and safeguarded.
  - Credit cards it issues to employees, which are susceptible to being used on unallowable expenditures, and employees' use of them should be continually monitored.
  - Purchase requisitions and purchase orders should be prepared and approved prior to the purchase and liability being incurred, which ensures that that only approved expenditures are made and are done within budgetary limits.
  - Information technology policies and procedures, which are necessary to effectively respond to risks and to prevent, detect, and respond to unauthorized or inappropriate access, damage, or loss to its information technology systems and data, including financial and sensitive data.

## Auditor General website report links

- The June 30, 2022, La Paz County combined Annual Financial and Single Audit Reports that are summarized in these highlights can be found at this [link](#). These reports should be read to fully understand the County's overall financial picture and the County auditors' reporting responsibilities.
- The County's reports from prior years are available at this [link](#).
- For help in understanding important information presented in these reports, please refer to our user guides at the following links:
  - [Financial Report User Guide for State and Local Governments](#).
  - [Internal Control and Compliance Reports User Guide](#).