

Apache County

Annual financial statement and compliance audits

The County's fiscal year 2020 reported financial information is reliable, except for the Road Fund's inventory reported at \$373,446. Also, the County's auditors reported deficiencies and noncompliance over financial reporting and federal programs, summarized on the next page.¹

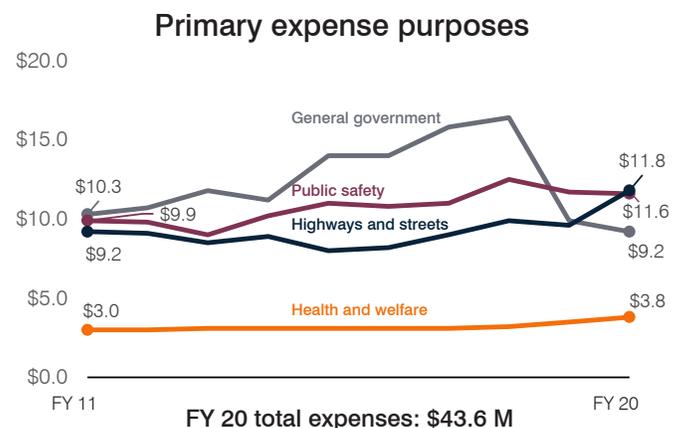
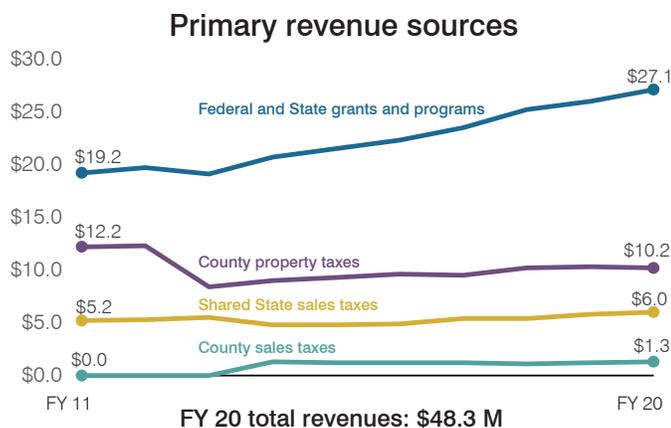
Audits' purpose

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.

Primary revenue sources and how they were spent

Fiscal years (FY) 2011 through 2020

(In millions)



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

Largest primary revenue sources FY 2020

- **Federal and State grants and programs 56.2%**—Includes federal and State government grants and programs awarded as assistance to the County and its residents, including highway user tax revenues for authorized transportation purposes.
- **County property taxes 21.2%**—Levied and collected from property owners based on the assessed value of real and personal property within the County.

Largest primary expense purposes FY 2020

- **Highways and streets 26.9%**—Costs for construction and maintenance of highways, streets, and bridges within the County.
- **Public safety 26.6%**—Costs for protecting the County's persons and property with the largest portion for County jail operations, County Sheriff's Office services, probation services, and Flood Control District operations.

County's net position increased in FY 2020

County revenues were \$4.7 million greater than its expenses, increasing total net position to \$11.2 million at June 30, 2020. Net position includes all assets, such as buildings, vehicles, and cash and investments, less all liabilities, such as unpaid pension and other payroll obligations, long-term debt, and accounts payable. None of this net position is unrestricted, meaning some is not in spendable form, and the rest is restricted by external parties.

¹ The certified public accounting firm Snyder & Brown, CPAs, PLLC conducted these audits under contract with the Arizona Auditor General in accordance with Arizona Revised Statutes §41-1279.21. The firm could not observe the County's Road Fund's inventory count at year end, so could not provide an opinion on the reported balance.

Auditor findings and recommendations

The County's auditors reported 6 findings and recommendations, which are summarized below and included in the County's [Single Audit Report](#) where there is further information and the County's responses. Because of these findings, the County's auditors recommended and the County made significant corrections to its financial statements and schedule of expenditures of federal awards before they were finalized, which delayed both the financial statement and federal compliance audits. The County needs to devote appropriate resources and implement policies and procedures to:

- Perform timely accounting system reconciliation and financial statement preparation procedures after fiscal year-end to help prevent, or detect and correct, errors and meet annual reporting deadlines. A similar finding was reported in the prior year.
- Monitor and reconcile all cash and bank account balances for each County department and fund at least monthly, including cash and investment balances with the County Treasurer, to ensure the County records these balances accurately to:
 - Resolve unreconciled differences of over \$335,000 by fund between the County's records and the County Treasurer's records. Although these balances agreed in total at fiscal year-end, the County had not reconciled its balances by fund to the County Treasurer throughout the year.
 - Prevent, or detect and correct, errors when adjusting investment balances to fair value.
 - Record cash and bank account balances at the County courts and other departments on an ongoing basis, such as monthly, for accounts totaling over \$1,146,000 for which the County had not recorded the balances and activity until fiscal year-end, increasing the risk of error and the risk of theft or misuse of public monies.
- Improve budgetary oversight to prevent expenditures from exceeding the County's legally adopted budget at the department level and to require expenditures exceeding a department's budgeted expenditures and use of the County's contingency budget line item to be approved by the County Board of Supervisors. A similar finding was reported in the prior year.
- Separately identify in its accounting records all federal awards received and expended so that the County can prepare a schedule of expenditures of federal awards that is accurate and complete.
- Distribute forest reserve monies in a manner that benefits both public schools and public roads as required by State statute. A similar finding was reported in the prior year.

Auditor General website report links

- The June 30, 2020, Apache County Annual Financial Report and Single Audit Report 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](#).