

## La Paz County

### Annual financial statement and compliance audits

The County’s fiscal year 2020 reported financial information is reliable. However, the County’s auditors reported deficiencies and noncompliance over financial reporting and federal programs, 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 has been steadily declining from a deficit of \$(0.6) million at the end of fiscal year 2016 to \$(4.0) million at the end of fiscal year 2020. During fiscal year 2020, the County’s General Fund’s fund balance showed a decrease of \$(1.6) million. As shown in the second graphic, the total of all other County governmental funds’ fund balances increased, especially from the end of fiscal year 2017 through the end of fiscal year 2020, which showed an increase of \$7.0 million over that 3-year period. However, although total fund balances for all other governmental funds has increased, several individual funds also have deficit fund balances. 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.

This means that the County does not have reserves to finance its current and future general operations. As disclosed in Note 12 to the County’s fiscal year 2020 financial statements, the County recognizes the importance of addressing this cumulative deficit and is working on cost containment measures, organizational consolidations, possible short-term financing, and continued seeking of additional revenue sources.

#### Fiscal years (FY) 2011 through 2020

(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 should improve and implement policies and procedures over various other areas as follows:
  - Financial statement preparation and compliance, which is important so that timely and accurate financial information is available for decision making, and financial information should be completed 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 are 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.

## Auditor General website report links

- The June 30, 2020, 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](#).