

## Yavapai County

### Annual financial statement and compliance audits

The County's fiscal year 2023 reported financial information is reliable. However, the County's auditors reported deficiencies over financial reporting, summarized on the next page.<sup>1</sup>

#### Audits' purpose

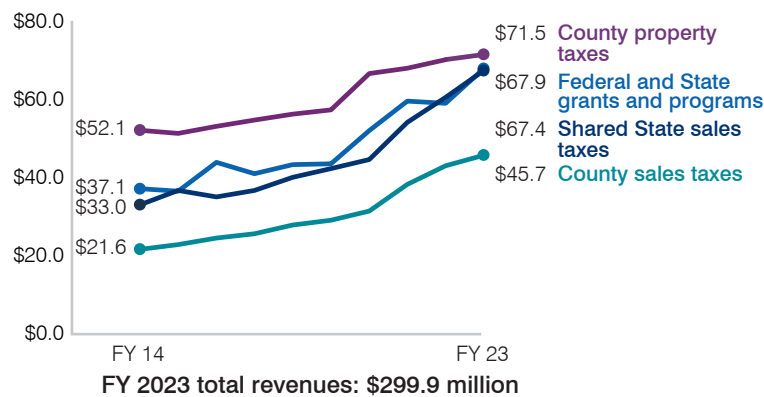
To express opinions on the County's financial statements and on compliance with certain federal requirements and, if applicable, to report findings over noncompliance with certain laws and regulations or other financial deficiencies.

#### Primary revenue sources and how they were spent

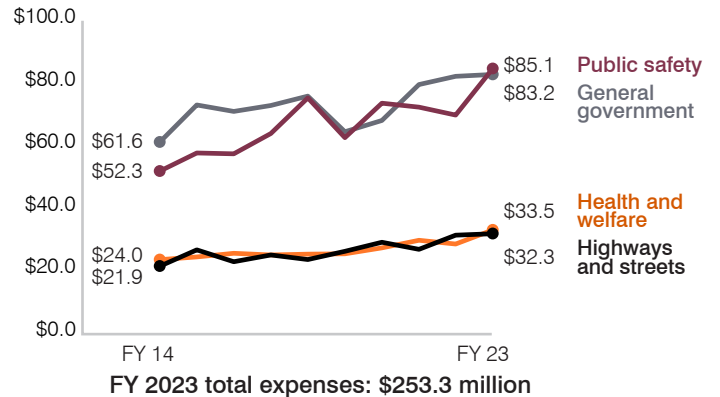
Fiscal years (FY) 2014 through 2023

(In millions)

##### Primary revenue sources



##### Primary expense purposes



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

#### Largest primary revenue sources FY 2023

- **County property taxes 23.8%**—Levied and collected from property owners based on the assessed value of real and personal property within the County.
- **Federal and State grants and programs 22.7%**—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.

#### Largest primary expense purposes FY 2023

- **Public safety 33.6%**—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.
- **General government 32.9%**—Costs for general operation, oversight, and administration of County operations, including property assessments and taxes, budgeting and finance, and elections.

#### County's net position increased in FY 2023

County revenues were \$46.6 million greater than its expenses, increasing total net position to \$291.8 million at June 30, 2023. 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.

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

## Auditor findings and recommendations

Summarized below are the findings and recommendations included in the County's [Single Audit Report](#) where there is further information and the County's responses. The County needs to:

- Perform a comprehensive review of accounts payable and cash reconciliation policies and procedures to ensure they are sufficient and consistently followed. The County's auditors noted weaknesses in internal controls over disbursements and cash reconciliations, such as the lack of a secondary approval for payments exceeding a certain dollar threshold, the lack of an approved vendor listing, the lack of supporting documentation to evidence an independent review of bank reconciliations, bank reconciliations not being performed, and long-outstanding checks and deposits in transit. Not having robust policies and procedures results in a heightened risk of theft or abuse of public monies. Similar findings were reported in the prior year.
- Continue to develop and update policies and procedures over information technology (IT). The County's auditors noted that the County does not have comprehensive IT policies and procedures over risk management, logical access, change and configuration management, contingency planning, and security of significant systems and data. Not having robust IT policies and procedures results in a heightened risk of security breaches and potential loss of County data. Similar findings were reported in prior years.
- Provide the Board of Supervisors, at least quarterly, with financial information that at minimum includes budget versus actual results for the general fund and other major funds, unrestricted and restricted cash and investment balances, and a report of outstanding indebtedness and pension related obligations. The County's auditors reported that the County's Board of Supervisors is not receiving timely and meaningful financial information necessary to make critical decisions. A similar finding was reported in the prior year.
- Follow its policy of removing capital assets that have been sold, traded in, or abandoned from the capital assets records. The County's auditors noted that equipment with an original cost of \$1,199,475 and a net book value of \$1,032,498 was destroyed but not removed from the capital asset listing. Properly updating the capital asset listing for all disposals will reduce the risk of material errors in the County's capital asset records. A similar finding was reported in the prior year.
- Improve controls over the use of Highway User Revenue Fund (HURF) and other dedicated State transportation revenue monies by developing a process for identifying unallowable expenditures and ensuring they are not paid with restricted HURF monies. The County's auditors noted several instances of public works expenditures that did not comply with the authorized transportation purposes for HURF monies, resulting in noncompliance with State statutes.
- Devote the necessary resources to prepare financial statements that are accurate, complete, and in accordance with generally accepted accounting principles (GAAP). The County's auditors found that the County's initial financial statements contained misstatements and misclassifications, which increased the risk that those relying on the reported financial information could be misinformed.

## Auditor General website report links

- The June 30, 2023, Yavapai County Annual Comprehensive 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's 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](#).