

**REPORT HIGHLIGHTS**  
 SINGLE AUDIT

**Subject**

The County is responsible for preparing financial statements, maintaining strong internal controls, and demonstrating accountability for its use of public monies. As the auditors, our job is to determine whether the County has met its responsibilities.

**Our Conclusion**

The information in the financial statements is fairly stated in all material respects and the financial statements can be relied on. With the following exception, the County maintained adequate internal controls over financial reporting and federal compliance. Specifically, the report recommends that the Treasurer establish internal controls to safeguard cash and investments.



2003

Year Ended June 30, 2003

## The County Treasurer Needs To Improve its Controls Over Cash and Investments

The primary responsibility of the County Treasurer's Office is to manage public and trust monies of the County and related public subdivisions. As of June 30, 2003, the Treasurer's Office held over \$111 million in these public monies. A breakout of the Treasurer's cash and investments for June 30, 2003, is presented in the figure to the right.

Our report indicates that the Treasurer's Office has not established an adequate control environment or effective control procedures, and has not adequately protected these monies from possible fraud or abuse. We have issued recommendations to the County in two previous audits that the Treasurer's Office has not yet implemented.

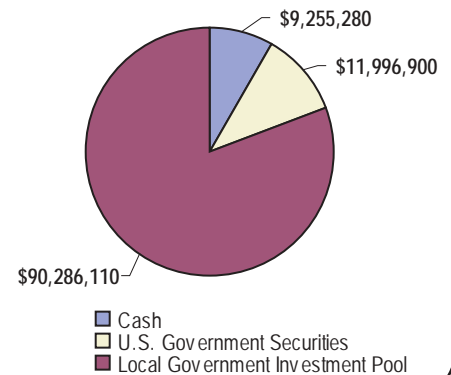
Our report included examples of internal control deficiencies, as follows:

- One employee had access to assets and related accounting records with no independent review of the employee's activities.
- Investments were understated by over \$198,000 on the Treasurer's records.
- Computer system data and information was not maintained in sufficient detail to identify and support individual transactions reported in the Treasurer's Report without time consuming alternate procedures by auditors.

The following steps can help the Treasurer's Office establish a control environment and control procedures to safeguard its cash and investments:

- Implement prior audit recommendations.
- Develop comprehensive written policies and procedures.
- Clearly define and separate key responsibilities among employees.
- Implement existing policies and procedures to help ensure accounting records' accuracy.
- Maintain computer system data and information in sufficient detail to identify and support individual transactions reported in the Treasurer's Report.
- Assess and monitor operational areas for risks of fraud and abuse.

Treasurer's Total Cash and Investments  
June 30, 2003



# The County Implemented a New Reporting Model

The information presented in the Apache County Single Audit Reporting Package for the year ended June 30, 2003, follows the new reporting model specified by the Governmental Accounting Standards Board Statement No. 34. The new accounting standards required the County to implement the new reporting model this year.

The new reporting model's objective is to enhance the understandability and usefulness of government financial reports to the citizenry, legislative and oversight bodies, and investors and creditors.

The most important changes resulting from this reporting model's implementation include:

- New government-wide financial statements that focus on the overall government are presented in addition to traditional fund financial statements.
- Separate financial statements are presented for the County's largest funds rather than by aggregate fund types such as special revenue, capital projects, and debt service funds.
- Depreciation expense is reported for all capital assets that the County owns.
- Reconciliations are presented between the government-wide financial statements, which focus on the economic changes in total resources, and the fund financial statements, which focus on the financial changes in current spendable resources.
- Management's Discussion and Analysis, a new document in which the County provides an introduction and analytical overview of the County's financial activities, is included in the report.

The management's discussion and analysis, government-wide financial statements, and fund financial statements provide three different views of the County's financial resources and the year's results of its financial activities.

The tables below present summarized versions of the County's government-wide Statement of Net Assets and Statement of Activities included in the current year Single Audit Reporting Package.

## Statement of Net Assets June 30, 2003 (In thousands)

	Total Governmental Activities
Current and other assets	\$18,275
Capital assets	<u>17,362</u>
Total assets	<u>35,637</u>
Current and other liabilities	1,865
Long-term liabilities	<u>5,162</u>
Total liabilities	<u>7,027</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	13,794
Restricted	6,284
Unrestricted	<u>8,532</u>
Total net assets	<u>\$28,610</u>

## Statement of Activities Year Ended June 30, 2003 (In thousands)

	Total Governmental Activities
Program revenues:	
Charges for services	\$ 2,275
Operating grants and contributions	13,634
General revenues:	
Taxes	9,611
Miscellaneous	<u>3,938</u>
Total revenues	<u>29,458</u>
Expenses:	
General government	8,307
Public safety	7,628
Highway and streets	7,739
Health	2,045
Education	2,324
Other	<u>1,099</u>
Total expenses	<u>29,142</u>
Change in net assets	316
Net assets—beginning	<u>28,294</u>
Net assets—ending	<u>\$28,610</u>

## TO OBTAIN MORE INFORMATION

A copy of the full report can be obtained by calling  
**(602) 553-0333**



or by visiting  
our Web site at:  
[www.auditorgen.state.az.us](http://www.auditorgen.state.az.us)

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Year Ended June 30, 2003