

Pinal 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.¹

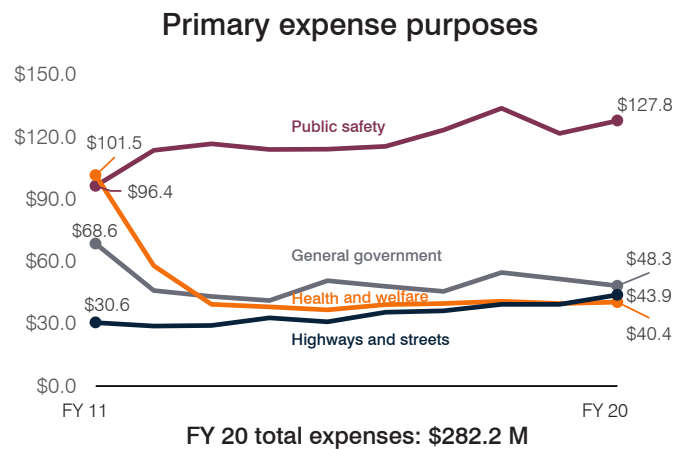
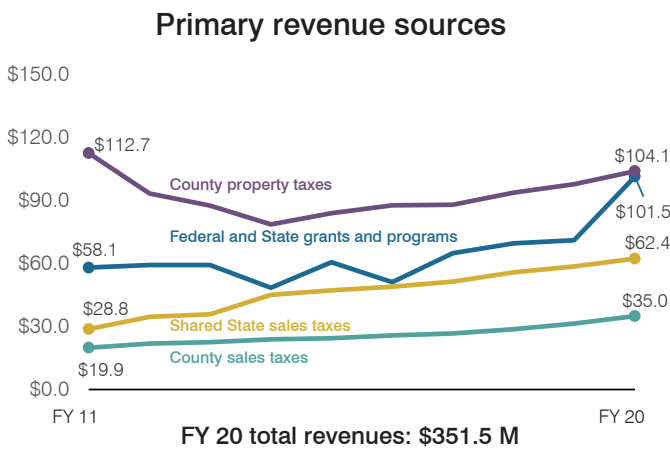
Audits' purpose

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

- **County property taxes—29.6% FY 20:** 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—28.9% FY 20:** Includes federal and State government grants and programs awarded as assistance to the County and its citizens, including highway user tax revenues for authorized transportation purposes.

Largest primary expense purposes

- **Public safety—45.3% FY 20:** 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—17.1% FY 20:** 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 20

County revenues were \$69.3 million greater than its expenses, increasing total net position to \$436.4 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 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

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 corrections to the financial statements to correct certain amounts before the financial statements were finalized. The County needs to devote appropriate resources and implement policies and procedures to:

- Reconcile all cash balances to the County Treasurer's and banks' cash balances monthly, investigate and resolve unreconciled differences in timely manner, and record all its cash accounts on its accounting system. The County had not reconciled its recorded balances to the County Treasurer's balances during the year and had not reconciled its payroll bank account since July 2016, resulting in unreconciled differences of over \$390,000 and \$6 million for these cash balances, respectively, and increasing the risk of error and the risk of theft or misuse of public monies. A similar finding was reported in the prior year.
- Perform year-end closing and financial statement preparation procedures so that it can meet its annual financial reporting deadlines. Although the County's federal compliance audit deadline was extended to September 30, 2021, the County's creditors required annual audited financial statements sooner. The County was unable to meet this financial reporting deadline because of significant corrections it made several months after year-end, which delayed the audit. A similar finding was reported in the prior year.
- Maintain, reconcile, and review its capital asset records for accuracy and completeness to reduce the risk of errors in the infrastructure and other capital asset balances, including the related depreciation, that the County reports in its financial statements. A similar finding was reported in the prior year.
- Record revenues and accrue receivables in the correct fiscal year by identifying when the County has earned the revenues it collects based on its review of court and other departments' records, rather than based on assumption. A similar finding was reported in the prior year.
- Update its information technology (IT) policies and procedures annually and restrict access to IT systems and data so that programmers do not have the ability to process transactions or change IT systems and data without going through the change process and so that users have access that is appropriate for their job responsibilities. A similar finding was reported in the prior year.
- Separately identify County matching costs from federal award expenditures when preparing the schedule of expenditures of federal awards (SEFA). The County initially reported nearly \$405,000 in matching costs in error, overstating its federal award expenditures. This error was not detected and corrected during the County's SEFA preparation and review process.

Auditor General website report links

- The June 30, 2020, Pinal County Comprehensive 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](#).