

Apache County

Annual financial statement and compliance audits

The County's fiscal year 2022 reported financial information is reliable, except for the Road Fund's inventory recorded at \$590,655. Also, the County's auditors reported deficiencies and noncompliance over financial reporting and federal programs, summarized on the next page.¹

Audits' purpose

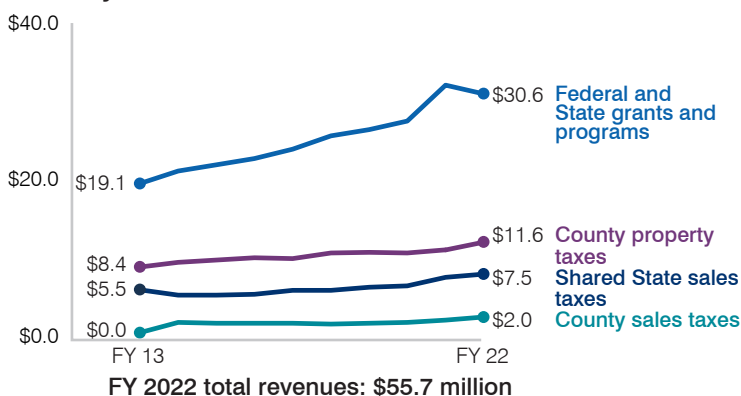
To express opinions on the County's financial statements and on compliance with certain federal requirements and, if applicable, to report findings over noncompliance with certain laws and regulations or other financial deficiencies.

Primary revenue sources and how they were spent

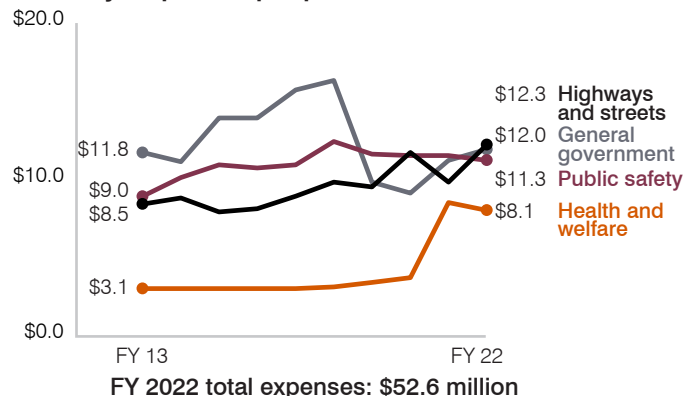
Fiscal years (FY) 2013 through 2022

(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 2022

- **Federal and State grants and programs 54.9%**—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 20.8%**—Levied and collected from property owners based on the assessed value of real and personal property within the County.

Largest primary expense purposes FY 2022

- **Highways and streets 23.4%**—Costs for construction and maintenance of highways, streets, and bridges within the County.
- **General government 22.8%**—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 2022

County revenues were \$3.1 million greater than its expenses, increasing total net position to \$20.9 million at June 30, 2022. 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 and Brown, CPAs, PLLC 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 9 findings and associated 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 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 financial and federal reporting deadlines. The County's auditors were unable to observe the counting of the Road Fund's inventory valued at \$590,655 at year-end, and as a result, they were unable to determine whether any adjustments were necessary. Similar findings were reported in prior years.
- 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 \$184,000 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. Similar findings were reported in prior years.
 - Record cash and bank account balances at the County courts and other departments on an ongoing basis, such as monthly, for accounts totaling over \$1,232,000 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. Similar findings were reported in prior years.
- 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. Similar budgetary findings were reported in prior years. Further, the County should ensure that all credit card purchases are reviewed, approved, and supported.
- Prioritize developing, documenting, and implementing policies and procedures over its information technology (IT) systems and data, including sensitive data, to effectively prevent, detect, and respond to unauthorized or inappropriate access or use, manipulation, damage, or loss. The County's auditors found that processes for managing and documenting risks and control procedures over IT systems and data were not sufficient, which may put County operations and IT systems and data at unintended and unnecessary risk of potential harm.
- Distribute forest reserve monies in a manner that benefits both public schools and public roads as required by State statute. Similar findings were reported in prior years.
- Prepare and submit accurate expenditure reports to the federal grantor for its Coronavirus Relief Funds (CRF) program. As of fiscal year-end, the County reported \$12.4 million in cumulative CRF program expenditures to the federal grantor. However, the County's auditors found that the County's accounting records showed CRF program expenditures totaling only \$4.6 million. County reporting errors prevent the federal grantor from performing appropriate program oversight activities, and determining whether federal program objectives are being met.

Auditor General website report links

- The June 30, 2022, 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](#).