

La Paz 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 and noncompliance over financial reporting, summarized on the next page.¹

Audits' purpose

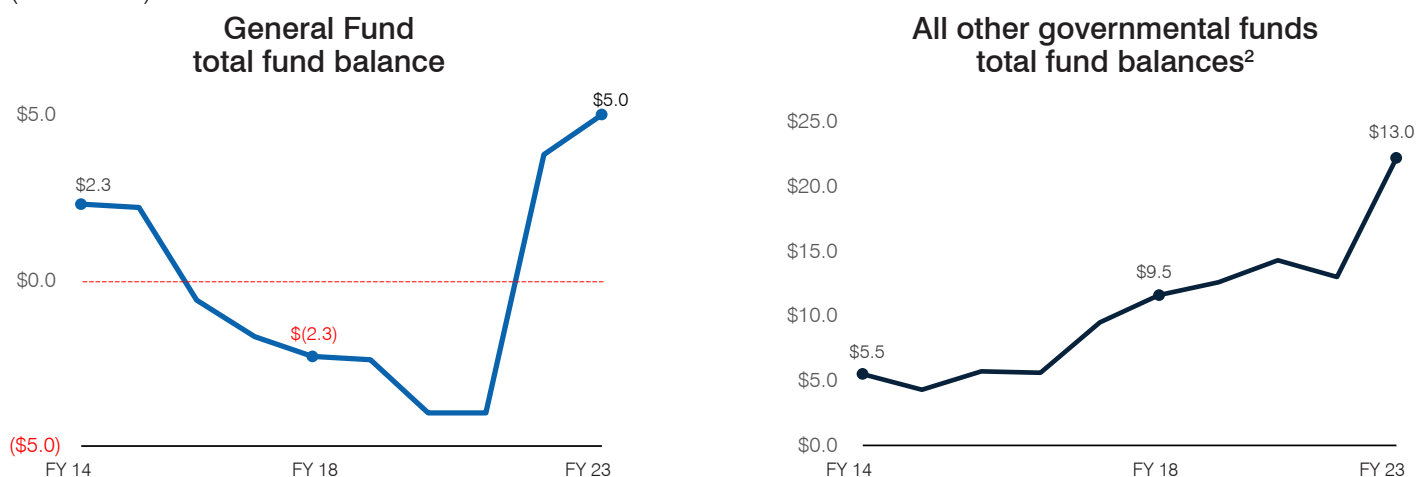
To express opinions on the County's financial statements and on compliance with certain federal requirements and, if applicable, to report findings over noncompliance with certain laws and regulations or other financial deficiencies.

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 steadily declined from a deficit of \$(0.6) million at the end of fiscal year 2016 to \$(4.0) million at the end of fiscal year 2021. Beginning in fiscal year 2022, the County's General Fund's fund balance began to increase, resulting in a positive balance of \$5.0 million at the end of fiscal year 2023. As shown in the second graphic, the total of all other County governmental funds' fund balances generally increased, especially from the end of fiscal year 2017 through the end of fiscal year 2023, which showed an increase of \$16.6 million over that 6-year period. However, several individual funds still have deficit fund balances, including the County's Jail District Fund that had a \$814,338 deficit fund balance at the end of fiscal year 2023. 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. Although the General Fund's fund balance increased at the end of fiscal year 2023, this increase may be attributable to additional COVID-19 federal funding that is only temporary. Therefore, the County still needs to carefully manage resources to ensure it can finance its current and future general operations after all COVID-related funding has been exhausted.

Fiscal years (FY) 2014 through 2023

(In millions)



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

¹ The certified public accounting firm CliftonLarsonAllen LLP conducted these audits under contract with the Arizona Auditor General in accordance with Arizona Revised Statutes §41-1279.21.

² 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 10 findings and recommendations that are 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 over several critical areas, including the following:

- Financial statement preparation, which is important so that timely, accurate, and complete financial information is available for decision making and information is compiled timely enough to meet statutory and federal deadlines. For example, the County's auditors found that the County had not initially recorded a large solar lease agreement valued at approximately \$24 million until adjusting journal entries were recommended by the County's auditors and subsequently recorded by the County. Further, the County should eliminate any excess funds without current or known future activity to reduce the burden for tracking, reconciling, researching and resolving any noted issues due to the high volume of funds the County currently maintains.
- Capital assets, which should be accurately recorded and safeguarded. The County's auditors found that an infrastructure project totaling \$3.7 million was completed during the fiscal year but was inappropriately still recorded as construction in progress at fiscal year end. A review and reconciliation of all completed construction projects should be performed prior to the preparation of the financial statements and related note disclosures so that depreciation calculations are timely and accurate.
- Segregation of duties, which helps prevent the risk of misappropriation or misuse of public monies. The County's auditors found that proper segregation of accounting duties was not in place in the Treasurer's Office, Parks Department, and Sheriff's Office, as the personnel responsible for collecting various fees were often also responsible for reconciling, depositing, and recording these receipts in the accounting records. These departments did not perform an independent verification and reconciliation of amounts collected to amounts deposited.
- Information technology policies and procedures, which are necessary to effectively respond to risks and to prevent, detect, and respond to unauthorized or inappropriate access, damage, or loss to its information technology systems and data, including financial and sensitive data

Auditor General website report links

- The June 30, 2023, La Paz 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](#).