

La Paz County

Annual financial statement and compliance audits

The County's fiscal year 2024 reported financial information is reliable, except for certain capital assets recorded in the governmental activities, supplies inventory in the Road Fund and Golf Course Fund, and charges for services revenue in the Golf Course Fund and Parks Fund. Also, the County's auditors reported deficiencies and noncompliance over financial reporting, summarized on the next page.¹

Audit's 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

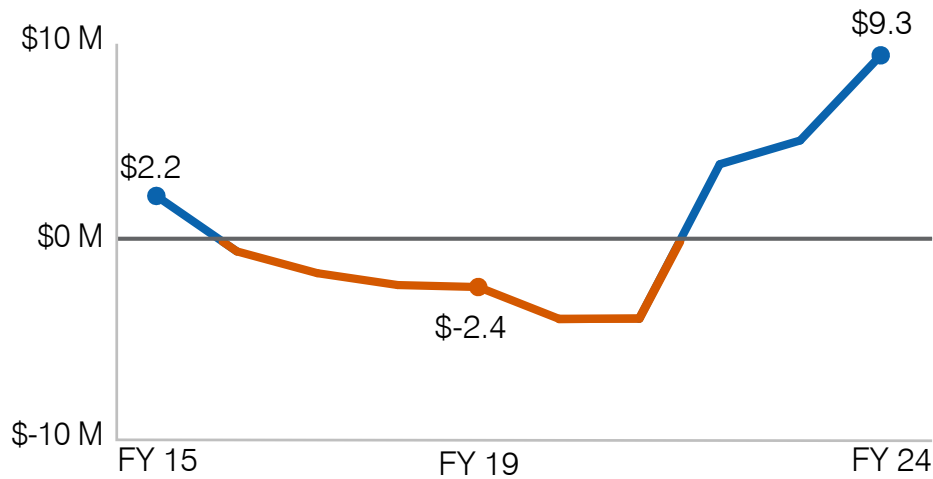
Beginning in fiscal year 2016, the County's General Fund, which is its primary operating fund, had a fund balance that fell below zero and steadily declined from a deficit of \$(0.6) million at the end of fiscal year 2016 to \$(4.0) million at the end of fiscal year 2021. Beginning in fiscal year 2022, the County's General Fund's fund balance began to increase, resulting in a positive balance of \$9.3 million at the end of fiscal year 2024. 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 \$740,596 deficit fund balance at the end of fiscal year 2024. 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 2024, this increase may be attributable to additional COVID-19 and other 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 and other temporary federal funding has been exhausted.

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.

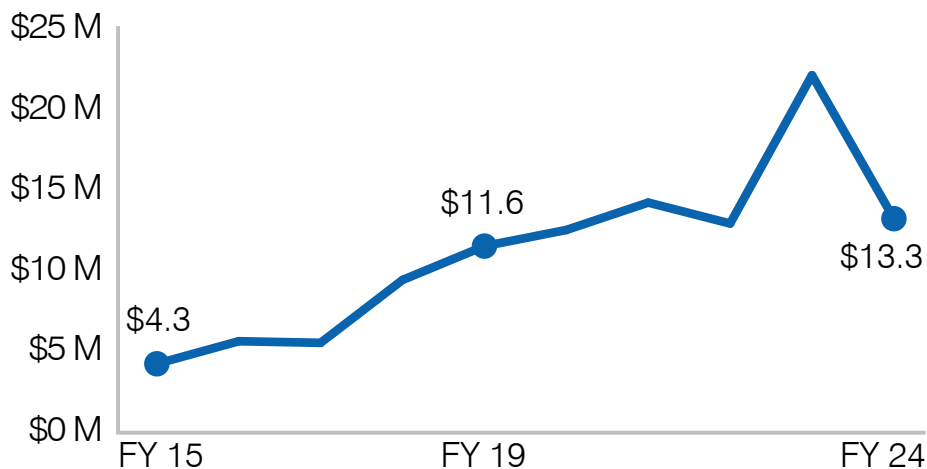
Total fund balances (in millions)

Fiscal years (FY) 2015 through 2024

General Fund



All other governmental funds²



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.

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.

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

The County needs to devote appropriate resources and implement policies and procedures over several critical areas, including the following:

- ▶ Capital assets and supplies inventories, which should be accurately counted, valued, recorded, and safeguarded. For example, the County's auditors found that the County did not maintain sufficient accounting records to support its June 30, 2024, balance of \$41.5 million for gravel and dirt roads recorded as infrastructure capital assets. In addition, the County's auditors found that the County did not maintain sufficient accounting records to support its June 30, 2024, inventory balances and physical inventory counts for the Golf Course Fund's pro shop. Further, the County did not perform physical inventory counts of the Road Fund's supplies as of June 30, 2024 or June 30, 2023. These deficiencies resulted in the County's assets being exposed to theft, loss, and misuse. Finally, the County's auditors qualified their financial statement opinions for the governmental activities, the Road Fund, and the Golf Course Fund because of the County's lack of adequate internal controls over infrastructure capital assets, inventory, and supplies.
- ▶ 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 as certain business-type County department personnel responsible for collecting various fees and charges for services were often also responsible for reconciling, depositing, and recording these receipts in the accounting records. The County's auditors found that independent verification and reconciliations of amounts collected to amounts deposited were not verified by the Treasurer's office prior to collection of the deposits. As a result of these deficiencies, the County's auditors qualified their financial statement opinions on the Golf Course Fund and Parks Fund due to lack of adequate internal controls over charges for services revenues.
- ▶ Information technology (IT) 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. The County's auditors found that the County does not have comprehensive IT policies and procedures over risk management, logical access, 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.

Auditor General website report links

- ▶ **June 30, 2024, [La Paz County Annual Financial Report and Single Audit Report.](#)**
These Highlights summarize the reports above. The full reports explain the County's overall financial picture and the County auditors' reporting responsibilities.
- ▶ The [County's reports from prior years.](#)
- ▶ **User guides that help explain the important information presented in these reports:**
 - [Financial Report User Guide for State and Local Governments.](#)
 - [Internal Control and Compliance Reports User Guide.](#)