

## Navajo County

**CONCLUSION:** Based on our audits, we issued opinions on the County's financial statements and federal expenditure schedule concluding that the information in those statements and schedule is reliable. We also issued reports over the County's internal control and compliance over financial reporting and select federal programs, which identified internal control weaknesses over financial reporting and federal awards that are explained on the next page.

### County overview

**County provided wide range of services for its citizens**—In fiscal year 2018, the County provided a wide range of government services for its over 112,000 citizens. In addition to managing general operations such as property assessments and taxes, budgeting and finance, and elections, the County provided for public safety such as law enforcement, court services, and flood control infrastructure; public health and welfare by providing medical assistance and contributions to Arizona's long-term care system; highway and street maintenance and construction; and community resources such as libraries and services to school districts. The County is located in northeast Arizona and encompasses 9,953 square miles.

**County responsible for accurate financial report**—The County is responsible for accurately preparing its [Comprehensive Annual Financial Report \(CAFR\)](#), maintaining effective internal controls, and being accountable for its use of public monies. Select financial information from the County's CAFR is presented below. However, the County's CAFR should be read to fully understand its overall financial picture. Our Office's [Financial Report User Guide for State and Local Governments](#) will help readers identify and understand important and useful information in the County's CAFR.

### County financial information

#### Asset, liability, and net position balances on June 30, 2018

**Total assets/deferred outflows = \$127.4 million**

**Select asset balances:**

\$72.2 M	Capital assets
34.8	Cash and investments
6.7	Due from other governments

**Total liabilities/deferred inflows = \$101.7 million**

**Select liability balances:**

\$75.5 M	Noncurrent employee benefits
13.7	Long-term debt
4.1	Current payables

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**County's net position = \$25.7 million**

None of this net position is unrestricted

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#### Revenues and expenses during fiscal year 2018<sup>1</sup>

**Total revenues = \$75.1 million**

**Select revenue sources:**

\$30.9 M	Federal and State grants and programs
15.1	Shared State sales taxes
13.0	County property taxes
7.4	County sales taxes

**Total expenses = \$79.6 million**

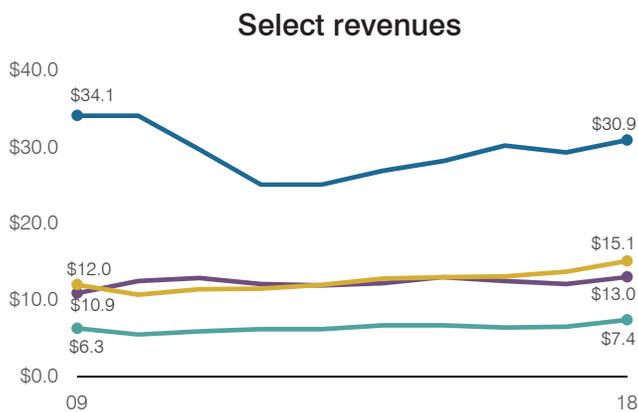
**Select expenses by function:**

\$33.8 M	General government
19.3	Public safety
11.8	Highways and streets
8.1	Health and welfare

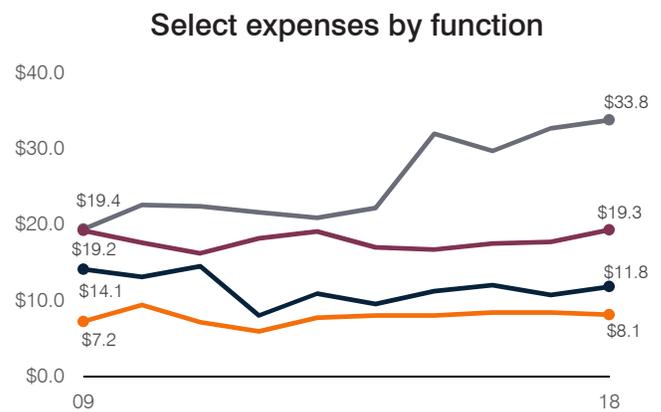
<sup>1</sup> Increases in the County's estimated long-term net pension liability primarily contributed to its total government expenses exceeding revenues by \$4.5 million, or 6.0 percent. The County's CAFR contains further information that addresses this outcome in fiscal year 2018.

## Select revenues and expenses by function Fiscal years 2009 through 2018

(In millions)



- **Federal and State grants and programs**—Federal and State government grants and programs awarded as assistance to the County and its citizens, including highway user revenue fund monies for authorized transportation purposes.
- **Shared State sales taxes**—Sales taxes the State of Arizona collects and the Arizona State Treasurer distributes to the County based on the State's statutory distribution formulas.
- **County property taxes**—Taxes the County levies on the assessed value of real and personal property within the County. The County treasurer collects the tax revenues.
- **County sales taxes**—Local sales taxes for general purposes.



- **General government**—General operation, oversight, and administration of County operations, including property assessments and taxes, budgeting and finance, and elections.
- **Public safety**—Protection of persons and property of the County. The largest portion of these expenses are for County jail operations, County Sheriff's Office services, probation services, and Flood Control District operations.
- **Highways and streets**—Construction and maintenance of highways, streets, and bridges within the County.
- **Health and welfare**—Public assistance and institutional care for individuals who are economically unable to provide for themselves, including required State shared sales taxes withheld for Arizona's long-term care system.

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

## Audit findings and recommendations

Below is a summary of our reports over the County's internal control and compliance over financial reporting and over federal programs, which are included in the County's [Single Audit Report](#) where there is detailed information about our findings and the County's responses. For help in understanding important information presented in these reports, please refer to our Office's [Internal Control and Compliance Reports User Guide](#).

### Financial reporting internal control

We found that the County needed improvements in certain controls over financial reporting and reported 5 findings. Most importantly, we found the County lacked adequate policies and procedures over IT systems and data to appropriately respond to risks and to prevent, detect, and respond to unauthorized or inappropriate access, damage, or loss, including protecting sensitive data. To ensure its financial and other data is protected, the County needs to continue to update and implement policies and procedures over its IT systems and data.

### Financial findings and recommendations

### Federal internal control and compliance

The County spent nearly \$4.1 million of federal program monies during the fiscal year. We tested 2 federal programs selected under the major program guidelines established by the Single Audit Act, including schools and roads and workforce innovation programs. These programs totaled over \$1.8 million in federal expenditures. We reported a weakness in internal control and an instance of noncompliance over the County's administration of the schools and roads program.

### Federal findings and recommendations