

REPORT HIGHLIGHTS SINGLE AUDIT

Subject

Graham County is responsible for preparing financial statements, maintaining strong internal controls, demonstrating accountability for its use of public monies, and complying with federal program requirements. As the auditors, our job is to determine whether the County has met its responsibilities.

Our Conclusion

The information in the financial statements is fairly stated in all material respects, and the financial statements can be relied on. However, auditors identified internal control deficiencies and found four instances of noncompliance with federal requirements. The most significant deficiencies and instances of noncompliance are summarized on this page.



2009

Year Ended June 30, 2009

The County Lacked Controls over Financial and Federal Reporting

The County lacked internal control policies and procedures needed to prepare accurate and timely financial statements, accompanying notes, and schedule of expenditures of federal awards (SEFA). Therefore, the County

did not submit its Single Audit Reporting Package to the federal clearinghouse by the March 31, 2010, deadline. Our recommendations to address this are summarized below.

Auditor recommendations—

- Establish and follow detailed written policies and procedures for preparing the financial statements, accompanying notes, and SEFA.
- Allocate appropriate resources and enforce completion dates for compiling the financial statement, accompanying notes, SEFA, and supporting schedules.
- Require an independent review of the financial statement, accompanying notes, and SEFA.

The County Did Not Always Comply with Federal Program Requirements

The County spent over \$6 million of federal monies this past year for 26 programs. Auditors tested four federal programs under the guidelines established by the Single Audit Act and found the following internal control weaknesses and instances of noncompliance.

Community Development Block Grants

- Responsibilities for processing and recording program expenditures were not separated among employees.
- The County did not comply with suspension and debarment requirements.

WIA Cluster

- Financial information reported to grantors was not adequately supported by accounting records.

Condensed Financial Information

Statement of Net Assets—This statement reports all of the County's assets and liabilities with the difference between the two reported as net assets. Net assets are reported in three major categories:

- Invested in capital assets, net of related debt, shows the equity in property, plant, and equipment.
- Restricted net assets shows the net resources that must be used for restricted purposes as specified by external parties.
- Unrestricted net assets shows the net resources available for general operations.

Statement of Activities—This statement shows how net assets changed during the current fiscal year. Revenues are reported as either program revenues (those generated by or dedicated to a specific program) or general revenues (taxes and revenues not raised by or dedicated to a specific program). The change in net assets indicates whether financial health has improved or deteriorated as a result of current year activities. Net assets decreased by \$572,164 in the current year. In addition, beginning net assets were restated by \$1.4 million to correct prior year errors related to intergovernmental revenues and capital assets.

Condensed Statement of Net Assets June 30, 2009	
	Governmental Activities
Assets	
Current and other assets	\$ 7,462,772
Capital assets, net	<u>31,211,497</u>
Total assets	<u>38,674,269</u>
Liabilities	
Other liabilities	697,859
Long-term liabilities	<u>1,540,108</u>
Total liabilities	<u>2,237,967</u>
Net Assets	
Invested in capital assets, net of related debt	30,717,258
Restricted	4,691,394
Unrestricted	<u>1,027,650</u>
Total net assets	<u>\$36,436,302</u>

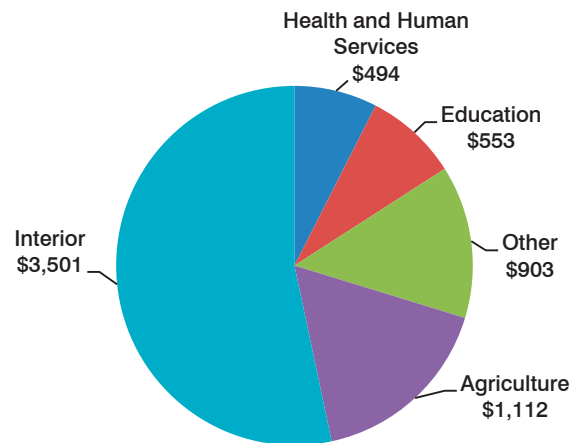
Condensed Statement of Activities Year Ended June 30, 2009	
	Governmental Activities
Program revenues	
Governmental activities	\$13,265,042
General revenues	
Governmental activities	<u>15,387,530</u>
Total revenues	<u>28,652,572</u>
Expenses	
Governmental activities	<u>29,224,736</u>
Total expenses	<u>29,224,736</u>
Change in net assets	(572,164)
Net assets—beginning, as restated	<u>37,008,466</u>
Net assets—ending	<u>\$36,436,302</u>

Expenditures of Federal Monies Increased

Overall, the County's expenditures of federal awards increased by over \$2.5 million. The net increase was primarily the result of the following:

- A net increase of \$2 million in the U.S. Department of the Interior's programs, mostly attributed to the additional funding received from Payments in Lieu of Taxes.
- A net increase of \$740,000 in the U.S. Department of Agriculture's programs, mostly attributed to the \$763,000 increase in funding for the Schools and Roads—Grants to States program.

**Federal Expenditures by Awarding Agency
Totaling \$6.6 Million
Fiscal Year 2009
(In Thousands)**



American Recovery and Reinvestment Act (ARRA)—

Graham County spent \$33,000 for WIA Youth Activities that was funded from ARRA in fiscal year 2009.

TO OBTAIN
MORE INFORMATION

A copy of the full report
is available at:
www.azauditor.gov

Contact person:
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Graham County

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Year Ended June 30, 2009