



REPORT HIGHLIGHTS SINGLE AUDIT

Subject

Graham County issues financial statements and a schedule of expenditures of federal awards annually. The County is responsible for preparing its statements and schedule, 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 County's financial statements is fairly stated, and the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to these financial statements. A summary of this information is presented on page 2. Also, auditors identified internal control weaknesses and noncompliance with federal program requirements, the most significant of which are summarized to the right.



2010

Year Ended June 30, 2010

Summary of Audit Findings

For the financial statement audit, auditors reported no findings. For the federal compliance audit, auditors tested four federal programs under the guidelines established by the Single Audit Act and found that the County did not always have adequate internal controls and did not always comply with certain federal program requirements. The Schedule of Findings and Questioned Costs presented in the Single Audit Reporting Package includes further details and auditor recommendations to help correct the deficiencies noted. The instances of material noncompliance with federal program requirements are summarized below.

WIA Cluster—The County did not have adequate policies and procedures for requirements related to employee time distributions. Specifically, the County charged payroll expenditures for two employees based upon predetermined percentages and did not prepare personnel activity reports or equivalent documentation for the individual WIA programs. Therefore, the County's Schedule of Expenditures of Federal Awards and federal reimbursement reports showed payroll expenditures that did not represent actual time worked on the programs. In addition, other financial information on the federal reimbursement reports was not supported by the County's accounting records and one employee was assigned the responsibilities of preparing and approving federal reimbursement reports.

Public Health Emergency Preparedness Program—The County did not have policies and procedures or other internal controls to ensure that the 5 percent matching requirement was satisfied. Because no particular costs were identified in the accounting records, the County could not support that the costs used to satisfy the matching requirement were not borne by another federal program and were not counted toward satisfying the matching requirement for another federal program. As a result, the County could not support that it made the required \$9,480 match.

Summary of Financial Information

Graham County combines and reports its financial balances and activities in two basic financial statements that provide readers with a broad overview of the County's finances in a manner similar to a private sector business. A condensed summary of these statements and the County's Schedule of Expenditures of Federal Awards follows.

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

- Invested in capital assets, net of related debt, shows the equity in land, buildings, equipment, and infrastructure.
- 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 raised for general purposes). Net assets decreased by approximately \$1.3 million in the current year.

Schedule of Expenditures of Federal Awards—The County's expenses included \$6 million of federal awards expended. This is a \$490,000 decrease from the prior year. The County's federal awards included \$236,850 in American Reinvestment and Recovery Act monies, the majority of which was received from the U.S. Department of Labor for the WIA Cluster.

Condensed Statement of Net Assets Governmental Activities June 30, 2010 (In Thousands)	
Assets	
Current and other assets	\$ 9,007
Capital assets, net	29,514
Total assets	38,521
Liabilities	
Current liabilities	2,048
Noncurrent liabilities	1,310
Total liabilities	3,358
Net assets	
Invested in capital assets, net of related debt	29,268
Restricted	4,667
Unrestricted	1,228
Total net assets	\$35,163

Condensed Statement of Activities Governmental Activities Year Ended June 30, 2010 (In Thousands)	
Program revenues	
Governmental activities	\$13,277
General revenues	
Governmental activities	13,908
Total revenues	27,185
Expenses	
Governmental activities	28,458
Total expenses	28,458
Decrease in net assets	(1,273)
Net assets—beginning	36,436
Net assets—ending	\$35,163

Condensed Schedule of Expenditures of Federal Awards by Grantor Agency Year Ended June 30, 2010 (In Thousands)	
U.S. Department of the Interior	\$2,673
U.S. Department of Agriculture	1,137
U.S. Department of Education	722
U.S. Department of Health and Human Services	545
Other	996
Total federal expenditures	\$6,073

TO OBTAIN
MORE INFORMATION

The County's Single
Audit Report
is available at:
www.azauditor.gov

Contact person:
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Year Ended June 30, 2010