



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. However, auditors identified internal control weaknesses and instances of noncompliance. A summary of this information is presented to the right.



2011

Year Ended June 30, 2011

Summary of audit findings

For the financial statement audit, auditors found an internal control weakness with respect to the County's disaster recovery plan. For the federal compliance audit, auditors tested seven federal programs under the guidelines established by the Single Audit Act and found that for three of these programs, 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 financial statement finding and material instances of noncompliance with federal program requirements are summarized below.

Financial statement finding—

Disaster recovery plan—The County did not have a written and tested disaster recovery plan for its financial systems. Inadequate disaster recovery controls subject the County to risks that can result in inaccurate or incomplete financial or management information, expensive recovery efforts, and financial losses.

Federal award findings—

WIA Cluster—The County did not have adequate policies and procedures for requirements related to employee time distributions. Specifically, the County allocated payroll charges for two employees totaling \$67,408 based upon predetermined budget percentages and did not prepare personnel activity reports or equivalent documentation for the individual WIA programs. As a result, the County was unable to determine the actual hours or costs charged to the individual WIA programs. Therefore, the

County's SEFA and financial reports included program expenditures that did not represent actual program activity performed. In addition, the financial information reported to grantors was not adequately supported by accounting records.

Special Education Cluster (IDEA)—

The County did not follow its policies and procedures to issue requests for proposals and obtain statements of qualifications from prospective vendors for services totalling \$43,354. Additionally, the County did not retain documentation that it verified one vendor was not suspended or debarred, from doing business with the federal government.

Homeland Security Cluster—The County did not maintain a capital assets listing that identified federally purchased equipment. Further, not all equipment items were tagged or serial numbers included on the capital assets listing to specifically identify the items.

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. Those statements and the County's schedule of expenditures of federal awards are summarized below:

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 other governments and 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). The County's net assets increased by \$127,000 during the fiscal year.

Schedule of Expenditures of Federal Awards—The County's expenses included \$6.8 million of federal awards expended. This is an \$686,000 increase from the prior year. The County's federal awards included \$1.2 million in American Reinvestment and Recovery Act federal awards, the majority of which was received from the U.S. Department of Education for the State Fiscal Stabilization Fund and U.S. Department of Energy for the State Energy Program and Energy Efficiency and Conservation Block Grant Program.

Condensed Statement of Net Assets Governmental Activities As of June 30, 2011 (In Thousands)	
Assets	
Current and other assets	\$ 8,349
Capital assets, net	29,192
Total assets	37,541
Liabilities	
Current liabilities	791
Noncurrent liabilities	1,456
Total liabilities	2,247
Net assets	
Invested in capital assets, net of related debt	28,814
Restricted	5,145
Unrestricted	1,335
Total net assets	\$35,294

Condensed Statement of Activities Governmental Activities Year Ended June 30, 2011 (In Thousands)	
Program revenues	
Governmental activities	\$13,840
General revenues	
Governmental activities	13,911
Total revenues	27,751
Expenses	
Governmental activities	27,624
Total expenses	27,624
Change in net assets	127
Net assets—July 1, 2010, as restated	35,167
Net assets—June 30, 2011	\$35,294

Condensed Schedule of Expenditures of Federal Awards by Grantor Agency Year Ended June 30, 2011 (In Thousands)	
U.S. Department of the Interior	\$2,649
U.S. Department of Education	1,195
U.S. Department of Agriculture	890
U.S. Department of Homeland Security	613
U.S. Department of Health and Human Services	439
Other	973
Total federal expenditures	\$6,759

TO OBTAIN
MORE INFORMATION

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

Contact person:
Victoria Fisher
(602) 553-0333

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Year Ended June 30, 2011