



REPORT HIGHLIGHTS

FINANCIAL STATEMENT AND SINGLE AUDITS

Our Conclusion

Graham County is responsible for preparing annual financial statements and a schedule of expenditures of federal awards, maintaining effective internal controls, and being accountable for its use of public monies. Our Office is responsible for auditing the County's financial statements, schedule, and major federal programs annually. A summary of the financial statements and schedule of expenditures of federal awards is presented to the right.

Based on our audits, we issued reports that included our opinions on the County's financial statements and its schedule of expenditures of federal awards and reports on its internal control and compliance over financial reporting and major federal programs. The information in the County's fiscal year 2012 financial statements and schedule of expenditures of federal awards is reliable. Our reports identified internal control weaknesses and instances of noncompliance over major federal programs. These findings are summarized on the next page.



2012

Year Ended June 30, 2012

Condensed financial information

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**—shows the resources that must be used for restricted purposes as specified by donors and external parties, such as the federal government.
- **Unrestricted**—shows the resources available for general operations.

Statement of activities—This statement reports all revenues, expenses, and the year's change in net assets. Revenues include program revenues—those generated by or dedicated to a specific program—and general revenues, such as taxes raised for general purposes. During fiscal year 2012, net assets decreased by \$1 million, or 3 percent, as compared to an increase of \$127,000, or less than 1 percent, in fiscal year 2011.

Schedule of expenditures of federal awards—During fiscal year 2012, the County expended almost \$5.9 million in federal awards. The County's federal award expenditures decreased by \$894,000, or 13 percent, compared to fiscal year 2011.

Condensed statement of net assets Governmental activities As of June 30, 2012 (In thousands)

Assets	
Current assets	\$ 8,566
Capital assets, net of depreciation	28,408
Total assets	<u>36,974</u>
Liabilities	
Current	882
Noncurrent	1,833
Total liabilities	<u>2,715</u>
Net assets	
Invested in capital assets, net of related debt	27,704
Restricted	6,095
Unrestricted	460
Total net assets	<u>\$34,259</u>

Condensed statement of activities Governmental activities For the year ended June 30, 2012 (In thousands)

Program revenues	
Charges for services	\$ 3,795
Operating grants and contributions	8,686
Capital grants and contributions	158
Total program revenues	<u>12,639</u>
General revenues	
Property taxes	4,349
Sales tax	5,423
Other	4,979
Total general revenues	<u>14,751</u>
Total revenues	<u>27,390</u>
Expenses	
Change in net assets	(1,035)
Net assets—beginning	35,294
Net assets—ending	<u>\$34,259</u>

Condensed schedule of expenditures of federal awards by grantor agency For the year ended June 30, 2012 (In thousands)

U.S. Department of the Interior	\$2,705
U.S. Department of Agriculture	907
U.S. Department of Education	738
U.S. Department of Homeland Security	545
U.S. Department of Health and Human Services	390
Other	580
Total federal expenditures	<u>\$5,865</u>

Summary of audit findings and recommendations

For the financial statement audit, we found an internal control weakness with respect to the County's disaster recovery plan. For the federal compliance audit, we tested five federal programs under the major program guidelines established by the Single Audit Act and noted that the County did not always have adequate internal controls and did not always comply with federal program requirements for two of its programs. Our Single Audit Reporting Package contains further details to help the County correct these deficiencies. The most significant findings and recommendations are summarized below.

No disaster recovery plan

The County did not have a written and tested disaster recovery plan for its financial information systems that are vital to its operations. An inadequate disaster recovery plan subjects the County to risks that can result in inaccurate or incomplete financial or management information, expensive recovery efforts, and financial losses.

Recommendation

To improve controls over its financial systems, the County should develop, implement, and test a disaster recovery plan.

Noncompliance with federal program requirements

- The County School Superintendent's Office did not follow its policies and procedures for the Special Education Cluster to issue requests for proposals and obtain statements of qualifications from vendors. In addition, for purchases made from contracts negotiated by a purchasing cooperative, the Superintendent's Office did not perform and document procedures to verify the cooperative's contract was bid in accordance with county policies.
- The County did not follow its policies and procedures to competitively bid a purchase totaling \$20,054 for the Homeland Security Grant Program. Further, for this same program, the County did not retain documentation of its verification that vendors being paid over \$25,000 had not been suspended or debarred from doing business with the federal government.
- The County maintained a capital assets listing for all equipment, but it did not identify equipment purchased with federal monies as is required by federal regulations. This was noted for capital assets purchased from the Homeland Security Grant Program, but could also apply to other programs.

Recommendations

The County can help ensure compliance with federal program requirements, follow its established policies and procedures, and improve controls over federal programs by:

- Obtaining required statements of qualifications or documenting why statements of qualifications could not be obtained; and, when making purchases from contracts negotiated by a purchasing cooperative, performing and documenting procedures to verify the cooperative's contract was bid in accordance with county policies.
- Competitively bidding purchases and documenting the determination that vendors being paid over \$25,000 in federal monies have not been suspended or debarred from doing business with the federal government.
- Updating its capital assets system to identify equipment purchased with federal monies or maintaining separate comprehensive listings, by federal program, of equipment purchased with federal monies.