



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 those financial statements and schedule of expenditures of federal awards is presented to the right.

Based on our audits, we issued reports that included our opinion on the County's financial statements and 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 2013 financial statements and schedule of federal awards is reliable. Our reports identified an internal control weakness and instance of noncompliance over a major federal program. This finding is summarized on the next page.



2013

Year Ended June 30, 2013

Condensed financial information

Statement of net position—This statement reports all of the County's assets, liabilities, and net position using the accrual basis of accounting. Net position is reported in three major categories:

- **Net investment in capital assets**—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 other external entities, 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 position. 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 2013, net position increased by \$9.3 million, or 27 percent, as compared to a decrease of \$1 million, or 3 percent, in fiscal year 2012.

Schedule of expenditures of federal awards—During fiscal year 2013, the County expended \$5.6 million in federal awards. The County's federal award expenditures decreased by approximately \$254,000, or 4 percent, compared to fiscal year 2012.

Condensed statement of net position Governmental activities As of June 30, 2013 (In thousands)

Assets	
Current and other assets	\$ 9,853
Capital assets, net	36,907
Total assets	<u>46,760</u>
Liabilities	
Current liabilities	1,262
Noncurrent liabilities	1,928
Total liabilities	<u>3,190</u>
Net position	
Net investment in capital assets	36,113
Restricted	6,974
Unrestricted	483
Total net position	<u>\$43,570</u>

Condensed statement of activities Governmental activities For the year ended June 30, 2013 (In thousands)

Program revenues	
Charges for services	\$ 4,104
Operating grants and contributions	8,255
Capital grants and contributions	10,873
Total program revenues	<u>23,232</u>
General revenues	
Property taxes	5,257
Sales tax	5,688
Other	5,085
Total general revenues	<u>16,030</u>
Total revenues	<u>39,262</u>
Expenses	
Change in net position	9,311
Net position—beginning	34,259
Net position—ending	<u>\$43,570</u>

Condensed schedule of expenditures of federal awards by grantor agency For the year ended June 30, 2013 (In thousands)

Department of Interior	\$ 2,638
Department of Housing and Urban Development	830
Department of Agriculture	821
Department of Education	633
Other	689
Total federal expenditures	<u>\$ 5,611</u>

Summary of audit findings and recommendations

For the financial statement audit, we reported no internal control deficiencies. For the federal compliance audit, we tested four 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 one of its programs. Our Single Audit Report includes a Schedule of Findings and Questioned Costs that contains further details to help the County correct these deficiencies. The most significant finding and recommendation is summarized below.

Noncompliance with federal program requirements

The County did not comply with the Community Development Block Grant (CDBG) federal program requirements for monitoring subrecipients. During fiscal year 2013, the County passed through \$745,625, or 90 percent, of CDBG monies to another government that was responsible for administering the program. Although the County reviewed documentation supporting expenditures the other government made, it had not implemented the monitoring procedures required for subrecipients of federal grant monies.

Recommendation

To help improve internal controls over the CDBG program and help ensure compliance with federal requirements, the County should develop and implement policies and procedures for monitoring subrecipients. These policies and procedures should require that subrecipients are advised of federal program requirements and that they receive an annual financial and compliance audit. The County should ensure that subrecipients take appropriate and timely corrective action on all findings noted during the audit.