



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 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 2014 financial statements and schedule of federal awards is reliable. Our Office identified an internal control deficiency over financial reporting and internal control deficiencies and instances of noncompliance over major federal programs. These findings are summarized on the next page.



2014

Year Ended June 30, 2014

Condensed financial information

Statement of net position—This statement reports all of Graham County's assets, liabilities, and net position. 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 2014, net position decreased by \$87,228, or less than 1 percent, as compared to an increase of \$9.3 million, or 27 percent, in fiscal year 2013.

Schedule of expenditures of federal awards—During fiscal year 2014, the County expended \$6.4 million in federal awards. The County's federal award expenditures increased by \$789,012, or 14 percent, compared to fiscal year 2013.

Condensed statement of net position Governmental activities As of June 30, 2014 (In thousands)

Assets	
Current assets	\$10,950
Capital assets, net	36,263
Total assets	47,213
Liabilities	
Current	1,071
Noncurrent	2,364
Total liabilities	3,435
Net position	
Net investment in capital assets	35,175
Restricted	7,405
Unrestricted	1,198
Total net position	\$43,778

Condensed statement of activities Governmental activities For the year ended June 30, 2014 (In thousands)

Program revenues	
Charges for services	\$ 3,781
Operating grants and contributions	9,094
General revenues	
Property taxes	5,077
Sales tax	5,846
Other	5,432
Total revenues	29,230
Expenses	
Change in net position	(87)
Net position—beginning, as restated	43,865
Net position—ending	\$43,778

Condensed schedule of expenditures of federal awards by grantor agency For the year ended June 30, 2014 (In thousands)

Department of Interior	\$ 2,785
Department of Housing and Urban Development	1,558
Department of Agriculture	804
Department of Education	584
Other	669
Total federal expenditures	\$ 6,400

Summary of audit findings and recommendations

For the financial statement audit, we found an internal control weakness regarding recognizing sales tax revenue. For the federal compliance audit, we tested three federal programs under the major program 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 federal program requirements for two of its programs. Our Single Audit Report contains further details to help the County correct these deficiencies. The most significant deficiencies are summarized below.

County failed to comply with federal program requirements

During fiscal year 2014, the County provided \$1,554,228, or nearly 100 percent, of Community Development Block Grants program monies to a subrecipient government that was responsible for administering the program; however, the County did not adopt policies and procedures to monitor the activities of the subrecipient government until June 2014. The federal program's provisions require that when monies are provided to subrecipient governments, the County should monitor that government's activities to ensure it is complying with the federal program requirements. The County reviewed supporting documentation for its subrecipient's expenditures prior to reimbursement, but did not perform any of the other procedures required by the subrecipient monitoring compliance requirements, such as ensuring the subrecipient complied with the program's compliance requirements.

The County may have charged inappropriate payroll costs to the Emergency Management Performance Grants program. Specifically, the County charged \$125,520, or 100 percent, in payroll costs to the program based on budget estimates and did not have employees complete time-and-effort reports or certify that they worked on the program's activities.

Recommendation

To help improve internal controls over its federal programs and help ensure compliance with federal requirements, the County should:

- Implement its newly adopted policies and procedures for monitoring subrecipients.
- Develop and implement policies and procedures to help ensure employees comply with federal payroll requirements.