

Graham County

CONCLUSION: Based on our audit, we issued opinions on the County's financial statements and federal expenditure schedule concluding that the information in those statements and schedule is reliable. We also issued reports over the County's internal control and compliance over financial reporting and select federal programs, which identified internal control weaknesses over financial reporting and an internal control weakness over federal awards that are explained on the next page.

County overview

County provided wide range of services for its citizens—In fiscal year 2019, the County provided a wide range of government services for its citizens. In addition to managing general operations, such as property assessments and taxes, budgeting and finance, and elections, the County provided for public safety, such as law enforcement, court services, and flood control infrastructure; public health and welfare by providing medical assistance and contributions to Arizona's long-term care system; highway and street maintenance and construction; and community resources, such as libraries, parks and recreation, and accounting services to school districts. The County is located in the southeastern corner of Arizona and encompasses 4,623 square miles.

County responsible for accurate financial report—The County is responsible for accurately preparing its [Annual Financial Report \(Report\)](#), maintaining effective internal controls, and being accountable for its use of public monies. Select financial information from the County's Report is presented below. However, the County's Report should be read to fully understand its overall financial picture. Our [Financial Report User Guide for State and Local Governments](#) will help readers identify and understand important and useful information in the County's Report.

County financial information

Asset, liability, and net position balances on June 30, 2019

Total assets/deferred outflows = \$82.8 million

Select asset balances:

\$55.1 M	Capital assets
17.6	Cash and investments
2.7	Due from others and receivables

Total liabilities/deferred inflows = \$62.7 million

Select liability balances:

\$27.4 M	Noncurrent employee benefits
27.4	Long-term debt and lease obligations
1.2	Current payables

County's net position = \$20.1 million

None of this net position is unrestricted

Revenues and expenses during fiscal year 2019

Total revenues = \$33.5 million

Select revenue sources:

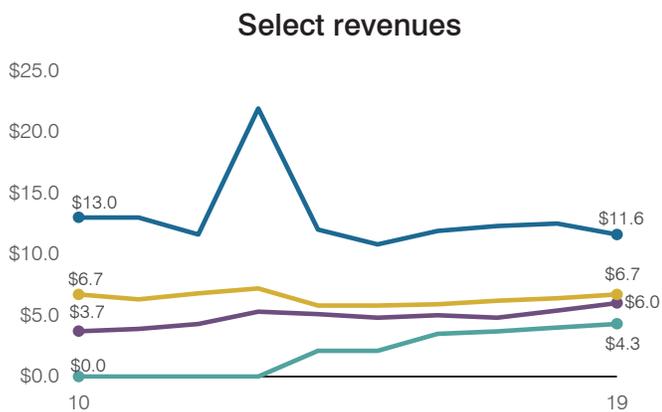
\$11.6 M	Federal and State grants and programs
6.7	Shared State sales taxes
6.0	County property taxes
4.3	County sales taxes

Total expenses = \$28.0 million

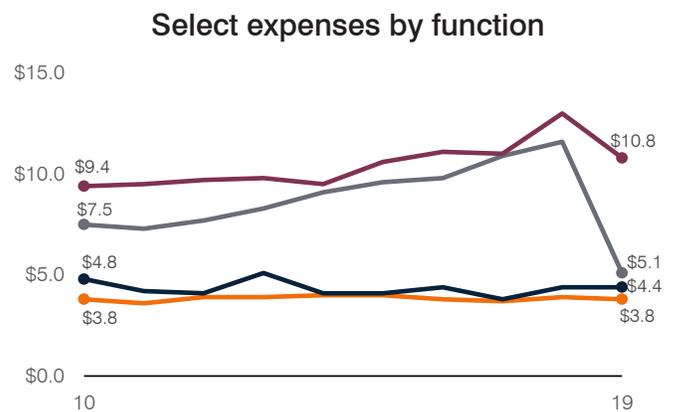
Select expenses by function:

\$10.8 M	Public safety
5.1	General government
4.4	Highways and streets
3.8	Health and welfare

Select revenues and expenses by function Fiscal years 2010 through 2019 (In millions)



- **Federal and State grants and programs**—Federal and State government grants and programs awarded as assistance to the County and its citizens, including highway user tax revenues for authorized transportation purposes. In fiscal year 2013, the County received a 1-time \$10 million State contribution.
- **Shared State sales taxes**—Sales taxes the State of Arizona collects and the Arizona State Treasurer distributes to the County based on the State’s statutory distribution formulas.
- **County property taxes**—Taxes the County levied on the assessed value of real and personal property within the County. The County Treasurer collects the tax revenues.
- **County sales taxes**—Local sales taxes, including voter approved half-cent general and Jail District sales taxes in fiscal years 2014 and 2016, respectively.



- **Public safety**—Protection of persons and property of the County. The largest portion of these expenses are for County jail operations, County Sheriff’s office services, probation services, and Flood Control District operations.
- **General government**—General operation, oversight, and administration of County operations, including property assessments and taxes, budgeting and finance, and elections.
- **Highways and streets**—Construction and maintenance of highways, streets, and bridges within the County.
- **Health and welfare**—Public assistance and institutional care for individuals who are economically unable to provide for themselves, including required State shared sales taxes withheld for Arizona’s long-term care system.

Source: Auditor General staff summary of information obtained from the County’s financial statements.

Audit findings and recommendations

Below is a summary of our reports over the County’s internal control and compliance over financial reporting and over federal programs that are included in the County’s [Single Audit Report](#), where there is detailed information about our findings and the County’s response. For help in understanding important information presented in this report, please refer to our [Internal Control and Compliance Reports User Guide](#).

Financial reporting internal control

We found that the County needed improvements in certain controls over financial reporting and reported 3 findings. Most importantly, the County lacked adequate policies and procedures over IT systems and data to effectively respond to risks and to prevent, detect, and respond to unauthorized or inappropriate access, damage, or loss, including protecting sensitive data. To ensure its financial and other data is protected, the County needs to continue to update and implement policies and procedures over its IT systems and data. We reported similar findings in the prior year.

Financial findings and recommendations

Federal internal control and compliance

The County spent over \$1.3 million of federal program monies during the fiscal year. We tested 2 federal programs selected under the major program guidelines established by the Single Audit Act, including schools and roads and public health emergency preparedness programs that totaled over \$0.6 million in federal expenditures. We reported a weakness in internal control over the County’s administration of the public health emergency preparedness program.

Federal award findings and recommendations