CHEROKEE COUNTY, GEORGIA

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS IN ACCORDANCE WITH THE SINGLE AUDIT ACT AND *GOVERNMENT AUDITING STANDARDS*

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

CHEROKEE COUNTY, GEORGIA

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

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MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
of Cherokee County, Georgia
Canton, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cherokee County, Georgia (the County) as of and for the fiscal year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 27, 2014. Our report includes a reference to other auditors who audited the financial statements of the Sequoyah Regional Library and Cherokee County Department of Public Health, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2013-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

The County's Response to Finding

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 27, 2014

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Board of Commissioners
of Cherokee County, Georgia
Canton, Georgia

Report on Compliance for Each Major Federal Program

We have audited Cherokee County, Georgia's (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the fiscal year ended September 30, 2013. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Cherokee County, Georgia's basic financial statements include the operations of the Cherokee County Department of Public Health, which received $5,862,199 in federal awards for the fiscal year ended June 30, 2013, which are not included in the schedule of expenditures of federal awards of the County for the fiscal year ended September 30, 2013. Our audit, described below, did not include the operations of the Cherokee County Department of Public Health because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended September 30, 2013.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of and for the fiscal year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 27, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 27, 2014

CHEROKEE COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Contract or Project Number	Total Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Community Development Block Grant	14.218	B-11-UC-13-0006	$ 21,705
Community Development Block Grant	14.218	B-12-UC-13-0006	375,727
Community Development Block Grant	14.218	B-13-UC-13-0006	53,734
			451,166
Passed through Georgia Urban County Consotium			
Home Investment Partnership [HOME]	14.239	HM09-5200	34,805
Home Investment Partnership [HOME]	14.239	HM10-5200	4,101
			38,906
Total U.S. Department of Housing and Urban Development			490,072
U.S. DEPARTMENT OF JUSTICE			
Passed through Children Justice Coordinating Council			
Violence Against Women Grant - ARRA	16.588	W11-8-009	17,234
Violence Against Women Grant	16.588	W11-8-083	10,000
Violence Against Women Grant	16.588	W12-8-010	40,349
			67,583
Passed through Judicial Council of Georgia			
Adult Drug Court Discretionary Grant	16.585	2012-DC-BX-0040	67,264
Passed through Children Justice Coordinating Council			
DUI/Drug County Program	16.593	A12-8-041	8,638
DUI/Drug County Program	16.593	A13-8-00	10,588
Total DUI/Drug County Program Cluster			86,490
Passed through Criminal Justice Coordinating Council			
Edward Byrne Memorial Justice Assistance Grant - ARRA	16.803	B82-8-414	8,993
Edward Byrne Memorial Justice Assistance Grant - ARRA	16.803	B82-8-058	1,964
Edward Byrne Memorial Justice Assistance Grant	16.738	2012-DJ-BX-0505	10,624
Edward Byrne Memorial Justice Assistance Grant	16.738	2013-DJ-BX-0137	10,082
Total Edward Byrne Memorial Justice Assistance Grant Cluster			31,663
Equitable Sharing Program	16.922	GA0281000	69,692
Passed through Criminal Justice Coordinating Council			
Victims of Crime Act Formula Grant	16.575	C12-8-026	87,397
Passed through Criminal Justice Coordinating Council			
SCAAP - Alien Prisoner program	16.606	2013-AP-BX-0541	20,316
Bulletproof Vest Partnership Program	16.607	1121-0235	2,599
Total U.S. Department of Justice			$ 365,740

(continued)

CHEROKEE COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Contract or Project Number	Total Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through Georgia Emergency Management Agency			
Emergency Performance Management Grant	97.042	2012-EP-00051-S01	$ 56,941
Emergency Performance Management Grant	97.042	OEM13-028	7,833
			64,774
Hazard Mitigation Grant	97.039	2011-SS-00081-S01	15,000
Hazard Mitigation Grant	97.039	2008-GE-T8-0017	90,466
Hazard Mitigation Grant	97.039	HMGP-1973-0009	11,671
			117,137
Citizens Corp	97.053	2011-SS-00081-S01	5,031
Total U.S. Department of Homeland Security			186,942
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Atlanta Regional Commission			
Aging Services	93.044	AG1300	254,913
Aging Services	93.044	AG1400	99,965
			354,878
Passed through Georgia Department of Human Resources			
Family Connection - FOCUS	93.605	427-93-131300024-99	33,771
Family Connection - FOCUS	93.605	427-93-141400024	11,714
			45,485
Total U.S. Department of Health and Human Services			400,363
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Governor's Office of Highway Safety			
Alcohol Impaired Driving Countermeasures Incentive Grant	20.601	GA-2013-000-00358	32,733
Passed through Georgia Department of Human Resources			
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	42700-362-13464	146,070
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	42700-362-23378	54,895
			200,965
Passed through Georgia Department of Transportation			
Formula Grants for Other Than Urbanized Areas	20.509	T004334	192,640
Formula Grants for Other Than Urbanized Areas	20.509	T004762	76,856
			269,496
Federal Transit - Formula Grant	20.507	GA90-X308	23,299
Federal Transit - Formula Grant - ARRA	20.507	GA90-X266	26,025
			49,324
Total U.S. Department of Transportation			552,518
Total Expenditures of Federal Awards			$ 1,995,635

CHEROKEE COUNTY, GEORGIA

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Cherokee County, Georgia and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

During 2013, disbursements were made to sub-recipients of the following grant programs:

Program	CFDA Number	Sub-recipient	Amount
Community Development Block Grant (CDBG)	14.218	Boys and Girls Club	$ 49,379
Community Development Block Grant (CDBG)	14.218	MUST	150,000
Community Development Block Grant (CDBG)	14.218	Cherokee Family Violence Center	45,397
Community Development Block Grant (CDBG)	14.218	ACCC	26,632
Community Development Block Grant (CDBG)	14.218	NGAH	18,705
Total CDBG			$ 290,113

CHEROKEE COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	_X_ yes ____ no
Significant deficiencies identified?	____ yes _X_ none reported
Noncompliance material to financial statements noted?	_____ yes _X_ no

Federal Awards

Internal Control over major programs:	
Material weaknesses identified?	_____ yes _X_ no
Significant deficiencies identified?	_____ yes _X_ none reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	_____ yes _X_ no

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grant
20.509	Federal Transit – Formula Grant
93.044	Aging Services Grant

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	____ yes _X_ no

CHEROKEE COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2013-001 Expenditures and Related Liabilities

Criteria: Generally, expenditures should be recognized as soon as a liability is incurred, regardless of the timing of the related cash flows in accordance with generally accepted accounting principles. However, debt service expenditures should only be recorded when payment is due.

Condition: Material misstatements were detected in the reporting of the Development Authority of Cherokee County's expenditures and related liabilities.

Context/Cause: During our testing of expenditures, an audit adjustment was required to correct current year accrued expenditures. In the Development Authority of Cherokee County's general ledger, an adjustment was required to properly accrue outstanding contracts and retainage payable balances. These expenditures were identified during a test of the completeness of the liabilities, whereby it was determined the related services were incurred prior to September 30, 2013 and should be accrued as incurred expenditures of the Authority. Additionally, as a result of this additional accrual, an adjustment was required to increase the Development Authority of Cherokee County's construction in progress capital asset on the statement of net position.

Effects: An audit adjustment totaling approximately $181,000 was needed to correctly report expenditures and the related liabilities.

Recommendation: We recommend the Development Authority of Cherokee County carefully review all expenditures and related balance sheet accounts to ensure all necessary transactions are properly reported in the proper period.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that expenditures/expenses and the related liabilities are properly recorded.

CHEROKEE COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None noted

CHEROKEE COUNTY, GEORGIA

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

2012-4 Allowable Costs

Program: U.S. Department of Housing and Urban Development (CFDA No. 14.218)
CFDA Program Title: Community Development Block Grants
Grant Number: B-09-UC-13-0006, B-10-UC-13-0006, B-11-UC-13-0006, and BU-12-UC-0006

Condition: During our testing of the compensation expenses/expenditures charged to this grant, we noted the County did not have proper procedures in place to allocate personnel costs based on periodic certifications were being posted to general ledger and subsequently reimbursed, as required by OMB A-87 Attachment B, section 8.

Context/Cause: The County was not adjusting the allocation of employee time to the program based on the employee timesheets.

Response: This finding was resolved during the current fiscal year.

2012-5 Allowable Costs

Program: Operating 5311 Assistance (CFDA No. 20.509)
CFDA Program Title: Formula Grants for Other Than Urbanized Areas
Grant Number: T003880

Condition: Internal controls were not sufficient to enable the County to obtain the periodic certification of time and effort documentation as required.

Context/Cause: For the nine month period ended September 30, 2012, we reviewed twenty (20) disbursements to employees paid out of Formula Grants for Other Than Urbanized Areas funds to determine if the County was properly maintaining semi-annual certification of time and effort sheets. We found all employees paid out of these funds were not properly maintaining periodic certification or time and effort sheets.

Response: This finding was resolved during the current fiscal year.

CHEROKEE COUNTY, GEORGIA

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

2012-6 Matching

Program: Operating 5311 Assistance (CFDA No. 20.509)
CFDA Program Title: Formula Grants for Other Than Urbanized Areas
Grant Number: T003880

Condition: As of September 30, 2012, the County was not properly monitoring the match status and ensuring that the rates being charged to the users were adequate to allow the County to meet the necessary minimum local funds match requirements.

Context/Cause: The County was in compliance with the matching requirements; however because a significant portion of the County transit system operations are funded with federal support, the County should be aware of and monitor compliance with all requirements and take the necessary steps to ensure their compliance. The County does not have a process in place to track federal funding compared to the local share.

Response: This finding was resolved during the current fiscal year.