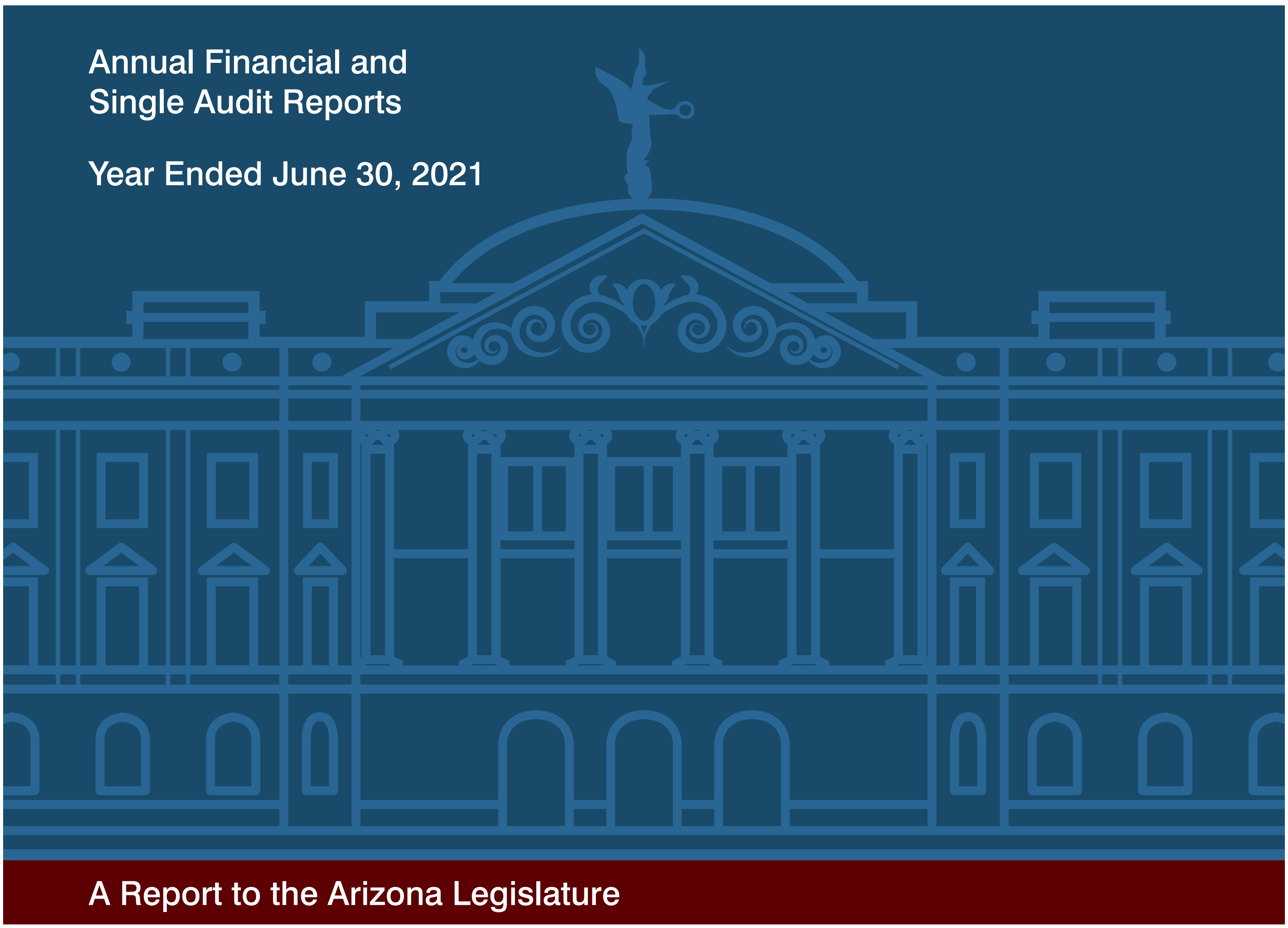
Graham County



Lindsey A. Perry
Auditor General

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The Arizona Auditor General's mission is to provide independent and impartial information and specific recommendations to improve the operations of State and local government entities. To this end, the Office provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits and special reviews of school districts, State agencies, and the programs they administer.

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AUDITOR GENERAL

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MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent auditors' report

Members of the Arizona State Legislature

The Board of Supervisors of
Graham County, Arizona

Report on the financial statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Graham County as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of the County as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of matter

As discussed in Note 1 to the financial statements, for the year ended June 30, 2021, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Other matters

Required supplementary information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages a-1 through a-11, budgetary comparison schedules on pages 40 through 44, schedule of the County's proportionate share of the net pension liability—cost-sharing pension plans on page 46, schedule of changes in the County's net pension liability (asset) and related ratios—agent pension plans on pages 47 through 49, and schedule of County pension contributions on pages 50 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information—schedule of expenditures of federal awards

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is management's responsibility and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 U.S. generally accepted auditing standards. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Compliance over the use of Highway User Revenue Fund and other dedicated State transportation revenue monies

In connection with our audit, nothing came to our attention that caused us to believe that the County failed to comply with the authorized transportation purposes, insofar as they relate to accounting matters, for Highway User Revenue Fund monies it received pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated State transportation revenues it received. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the authorized transportation purposes referred to above, insofar as they relate to accounting matters.

The communication related to compliance over the use of Highway User Revenue Fund and other dedicated State transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, the County's Board of Supervisors and management, and other responsible parties within the County and is not intended to be and should not be used by anyone other than these specified parties.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2022, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

March 24, 2022

Graham County
Management's discussion and analysis
Year-ended June 30, 2021

As management of Graham County, we offer readers of Graham County's financial statements this narrative overview and analysis of the financial activities of Graham County for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the basic financial statements.

Financial highlights for fiscal year 2021

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the current fiscal year by $36,432,805 (net position). Of this amount, $28,527,465 is the net investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure, and construction in progress); $16,670,879 is restricted for specific purposes (restricted net position); and $(8,765,539) is the unrestricted net position deficit balance that is primarily a result of $26,796,676 in net pension liability.
- The increase in the County's net position was $8,575,590 in fiscal year 2021.
- As of the close of the current fiscal year, Graham County's governmental funds reported combined ending fund balances of $30,452,592, an increase of $5,098,641 in comparison with the prior year. The increase was primarily due to an increase in cash, cash equivalents, and investments held by both the general and highway funds and an increase in investments held by trustee by the jail district debt service fund.
- At the end of the current fiscal year, unassigned fund balance for the general fund was $10,459,682, or 61.3 percent, of total general fund expenditures.
- Graham County's capital assets decreased by $271,739 during the current fiscal year. The key factor in this decrease was the highway department with the demolition of a 1975 storage building and the retirement of two 2013 motor graders. The largest capital asset increase was the 8th Avenue Roundabout road project, funded in large part by the Arizona Department of Transportation. Other large capital assets increases were for two motor graders, a used chip spreader, and two trucks for the highway department, solar panels, a van and two trucks for the jail district, light poles for the parks department, five vehicles for the sheriff's office, and a case management software system for the county attorney's office.

Overview of the financial statements

This discussion and analysis are intended to serve as an introduction to Graham County's basic financial statements. The County's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements are designed to provide readers with a broad overview of Graham County's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all of Graham County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the Graham County's financial position is improving or deteriorating.

The *statement of activities* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in only future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish County functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Graham County did not have any business-type activities during the fiscal year.

Graham County's governmental activities include general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation, and education.

The government-wide financial statements can be found on pages 1 and 2 of this report.

Fund financial statements are groupings of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The County's funds can be divided into two categories: *governmental and fiduciary*.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financial requirements.

Because the governmental funds' focus is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains numerous individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, the highway road fund, the jail district operations fund, and the jail district debt service fund which are major funds. Data from the other governmental funds are combined into a single aggregated presentation.

The basic governmental funds financial statements can be found on pages 3 - 6 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Graham County's own programs.

The fiduciary funds financial statements can be found on pages 7 and 8 of this report.

Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 9 - 38 of this report.

Required supplementary information presents budgetary comparison schedules for the general and major special revenue funds. This section also includes certain information concerning Graham County's progress in funding its obligation to provide pension benefits to its employees.

Required supplementary information can be found on pages 40 - 53 of this report.

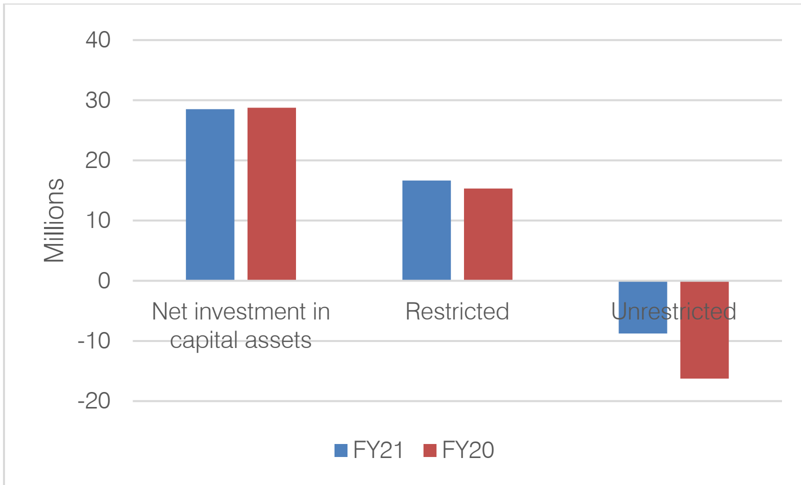
Government-wide financial analysis

Statement of net position—As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the fiscal year, Graham County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $36,432,805.

Condensed Statement of Net Position
As of June 30, 2021 and 2020

	Governmental Activities	
	2021	2020
Current and other assets	$ 31,437,863	$ 26,135,465
Capital assets	55,334,708	55,606,447
Total assets	86,772,571	81,741,912
Deferred outflows of resources		
Total deferred outflows of resources	7,005,756	4,016,858
Long-term liabilities outstanding	54,999,067	52,797,932
Other liabilities	595,879	511,706
Total liabilities	55,594,946	53,309,638
Deferred inflows of resources		
Total deferred inflows of resources	1,750,576	4,591,917
Net position:		
Net investment in capital assets	28,527,465	28,760,121
Restricted	16,670,879	15,343,405
Unrestricted	(8,765,539)	(16,246,311)
Total net position	$36,432,805	$27,857,215

Net Position
June 30, 2021 and 2020



The County's net position includes its net investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure). This amount is presented less accumulated depreciation and any related debt still outstanding that was used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Graham County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, because the capital assets themselves cannot be used to liquidate these liabilities.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, increased from $(16,246,311) at June 30, 2020, to $(8,765,539) at June 30, 2021, primarily because of changes in cash and investments due to increases in property taxes, CARES act monies, state shared revenues, sales taxes and vehicle licenses taxes.

Current and other assets, related to government activities, increased $5,302,398, or 20.3 percent, as compared to the previous fiscal year. This was primarily because of an increase in cash of $4,749,922, along with increases in investments held by trustee of $1,229,619. The increase in cash was largely influenced by the increase in general fund cash as property taxes, CARES act monies, state shared revenues, sales taxes and vehicle licenses taxes all increased over the previous year. Capital assets decreased by $271,739 this fiscal year as disposals of old equipment and depreciation of all assets exceeded new assets placed in service.

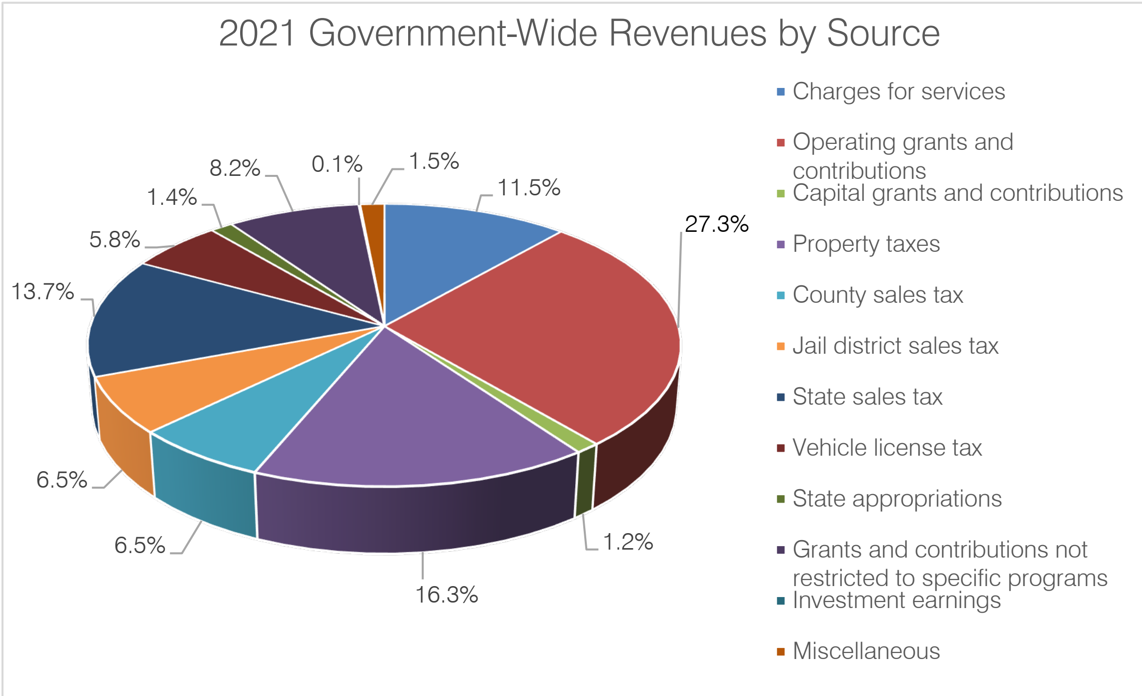
Deferred outflows of resources increased $2,988,898, or 74.4 percent, and deferred inflows of resources decreased $2,841,341, or 61.9 percent. These changes were due mainly to changes in pension plan assumptions by the various plan actuaries as well as increased County pension contributions as the County continued to work to pay down unfunded liabilities.

Long-term liabilities increased $2,201,135 with an increase of $2,175,936 in net pension liability to $26,796,676 for its employees at year-end. Compensated absences increased $65,279, reflecting employees' increased carryover of vacation and sick leave hours. Capital leases payable increased $249,851 with a new capital lease incurred for a solar panel array at the adult detention facility. Other liabilities increased $84,173, or 16.4 percent, mainly because of an increase in accrued payroll and employee benefits.

Statement of activities—Already noted was the statement of activities' purpose in presenting information in how the County's net position changed during the most recent fiscal year. Most sources of revenue on the statement of activities increased except for decreases in three items: capital grants and contributions revenues decreased $1,340,038 or 72.9 percent, investment earnings decreased $326,332 or 87.1 percent, and miscellaneous revenues decreased $49,133 or 7.4 percent. The net result was an increase in revenue of $1,871,080 or 4.8 percent for the fiscal year. The basis of accounting used in the government-wide statement of activities excludes capital expenditures, while its revenues include taxes for which the primary purpose is County operations.

Condensed Statement of Activities
Years Ended June 30, 2021 and 2020

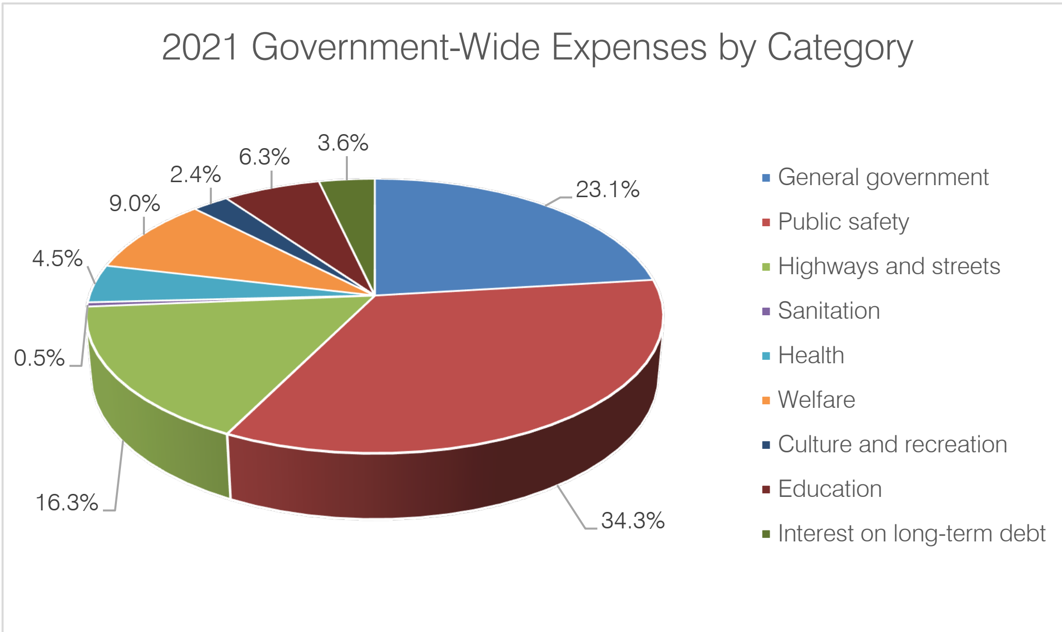
	Governmental Activities	
	2021	2020
Revenues		
Program revenues:		
Charges for services	$ 4,661,248	$ 4,297,349
Operating grants and contributions	11,070,777	10,158,319
Capital grants and contributions	499,033	1,839,071
General revenues:		
Property taxes, levied for general purposes	6,589,363	6,123,227
County sales taxes, levied for general purposes	2,619,059	2,430,278
Jail District sales taxes, levied for debt service	2,615,246	2,423,917
Shared revenue—state sales taxes	5,558,057	4,515,806
Shared revenue—state vehicle license taxes	2,370,177	2,039,128
State appropriations	550,050	550,050
Grants and contributions not restricted to specific programs	3,326,391	3,248,787
Investment earnings	48,211	374,543
Miscellaneous (including gain on disposal of capital assets)	628,188	664,245
Total revenues	40,535,800	38,664,720
Expenses		
General government	$ 7,404,960	$ 7,134,937
Public safety	10,970,970	10,523,089
Highways and streets	5,198,526	5,307,894
Sanitation	150,140	139,334
Health	1,441,209	1,265,125
Welfare	2,888,847	2,830,100
Culture and recreation	759,126	733,100
Education	2,006,147	1,891,233
Interest on long-term debt	1,140,285	1,111,568
Total expenses	31,960,210	30,936,380
Change in net position	8,575,590	7,728,340
Net position—beginning	27,857,215	20,128,875
Net position—ending	$36,432,805	$27,857,215



Governmental activities

Governmental activities revenues totaled $40,535,800 for fiscal year 2021. The following are highlights of County revenues:

- Charges for services increased $363,899, or 7.8 percent. The main sources of the increase were an increase in highway capital project reimbursement of $132,537, or 411.4 percent; an increase in city/county highway revenue of $77,145, or 1,467.2 percent; an increase in Ft. Thomas School Resource Officer revenue of $40,765, or 119.1 percent; an increase in city/town dispatch fees of $38,071, or 4.9 percent; an increase in recording fees (which were raised mid-year last year) of $37,606, or 20.9 percent; and an increase in planning and zoning permit fees of $30,174, or 40.5 percent.
- Operating grants and contributions increased $912,458, or 8.2 percent. The main sources of the increase were an increase in CARES Act funds of $584,845, or 63.7 percent and an increase in highway user revenue funds of $253,525, or 8.4 percent.
- Capital grants and contributions decreased by $1,340,038, or 268.5 percent, which was predominantly the difference contributed by the Arizona Department of Transportation for the Eighth Avenue Roundabout road project which had a $1,683,396, or 91.5 percent, higher contribution in fiscal year 2020 than fiscal year 2021.
- Graham County benefited from high retail and online sales in the economy. All forms of sales taxes increased during the year. County sales tax increased $188,781, or 7.2 percent; jail district sales tax increased $191,329, or 7.3 percent; state shared sales tax revenues increased $1,042,251, or 18.8 percent and vehicle license taxes increased $331,049, or 14.0 percent.
- Investment earnings decreased by $326,332, or 676.9 percent, as interest rates fell dramatically from the prior year.
- Miscellaneous revenues decreased by $36,057, or 5.7 percent. The predominant difference was a donation received from the United Way in fiscal year 2020 for use on COVID testing and vaccination.



Expenses:

Overall expenses in governmental activities increased $1,023,830, or 3.3 percent. Spending for highways and interest on long term debt decreased slightly during the fiscal year while all other functions increased. Most of the increase was within the sanitation, health, and education functions.

- Sanitation expenses increased $10,806, or 7.8 percent. The largest contributing factor was waste tire fees which increased $22,842, or 43.4 percent. Waste tire revenues are sent to the County by the state and are then passed on to the City of Safford who runs the only active landfill in the County.
- Health expenses increased $176,084, or 13.9 percent. Coronavirus expenses increased $144,071, or 181.5 percent during fiscal year 2021. Also, Immunization Action Plan program expenses increased $84,274, or 103.4 percent.
- Education expenses increased $114,914, or 6.1 percent. Expenses for Dan Hinton Schools' Maintenance and Operations Fund accounted for most of the increase with a variance of $101,924, or 6.6 percent.

Financial analysis of the County's funds

As noted earlier, Graham County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds—The focus of Graham County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of Graham County. At June 30, 2021, the general fund's unassigned fund balance was $10,459,682 which was an increase of $3,685,262 from the prior fiscal year. Revenues were more than expenditures by $7,001,307 in the general fund (prior to any other financing sources or uses). Revenues were $2,754,361 more than the previous fiscal year with increases in all county revenues except for decreases in investment earnings and miscellaneous revenues. The largest increase was for intergovernmental revenues with an increase of $1,941,796, or 17.4 percent. This increase was largely a result of $1,042,252 more in state shared revenue, $584,845 more in CARES Act funds, and $188,052 more in vehicle sales tax received in fiscal year 2020-2021.

The highway road fund receives the County's share of the highway users revenue funds collected and distributed by the State of Arizona for the purposes of maintaining and improving the roads under the County's care. The fund balance for the highway road fund increased $473,090, or 8.1 percent, this fiscal year to $6,330,113. Intergovernmental revenues saw an increase, as did charges for services and donations revenues. Only investment earnings had a decrease in revenues due to lower interest rates. Highway expenses in total decreased slightly, $85,212, or 1.8 percent, but capital outlay was $618,401 which was an increase of $205,929, or 49.9 percent.

The jail district operations fund is comprised of two main functions—adult detention and detention health services. The jail district operations fund's main source of revenues is the statutorily required maintenance of effort transfer from the general fund. For fiscal year 2021 this transfer totaled $3,082,211, a $52,856 increase over the previous year. The transfer varies each year based on calculations tied to changes in the U.S. gross domestic product. The jail district operations fund balance decreased $64,214 this fiscal year to end with a balance of $26,955. A contract with the U.S. Marshals to house federal detainees was still in place but, due to COVID-19, they housed lower numbers of U.S. Marshals' inmates which is largely responsible for the decrease in fund balance.

The jail district debt service fund receives the jail district sales tax which went into effect on July 1, 2015. The district uses these taxes to service the principal and interest payments on the bonds issued to build the new adult detention facility. The debt service schedule includes a 25-year payoff, to be completed in the year 2040. The County sales tax for the jail district debt service fund totaled $2,615,246. A principal payment of $250,000 was made toward the outstanding bonds, as well as $1,140,494 in bond interest payments.

The other governmental funds are a combination of many nonmajor funds of the County, most funded by various grants. Grants are typically only awarded for one fiscal year at a time. Funding for many programs faced multiple, consecutive years of funding decreases. Intergovernmental revenues increased in fiscal year 2020, only to fall again in fiscal year 2021 by $174,337, or 4.0 percent. Total revenues decreased by $443,649, or 5.8 percent. The only two revenues that increased in fiscal year 2021 were property taxes which increased by $6,539 and charges for services which increased $68,445. Expenditures increased by $988,209. The other governmental fund balance decreased by $193,253.

General fund budgetary highlights

There were no amendments to the original revenue budget for the general fund. General fund revenues received were over the adopted budget amount by $3,244,483, or 15.6 percent. The largest variance from the budgeted amounts were for donations as none were received in fiscal year 2021, resulting in a 100.0 percent variance. Licenses and permits, which were $45,955, or 75.3 percent, above budget due to an increase in planning and zoning permit fees. Investment earnings were $13,019, or 65.1 percent above budget. We planned on lower interest rates, but a higher-than-expected general fund balance led to increased interest revenue. Rents were $9,126, or 52.1 percent above budget as the County increased rental revenues on tower space. Fines and forfeits were $57,262, or 30.5 percent above budget as clerk fines, justice court fines and bond forfeitures all came in higher than budgeted. County sales taxes, which set record highs, were $684,059, or 35.4 percent, above budget due to stronger than forecasted retail sales. Intergovernmental revenues were $2,504,511, or 23.6 percent, above budget which was largely a result of higher state shared revenues, vehicle license taxes and higher CARES Act funds received in fiscal year 2021. Miscellaneous revenues were under budget by $4,084, or 11.8 percent. Charges for services were stable with $11,865, or 0.8 percent above budget.

The general fund expenditure budget of $24,167,720 was also not amended this fiscal year. General fund expenditures were less than the final budget by $7,097,106, or 29.3 percent. Significant favorable expenditure variances, as compared to the budget, were incurred in the general government function of $6,406,330 which included $4,578,075 in unspent contingency. Information technology had a favorable variance of $471,861 compared to budget. The public safety function also had a favorable expenditure variance of $546,107 as compared to the budget. These savings were a result of vacancy savings within the sheriff's office as well as lower than anticipated spending on housing costs within the juvenile detention department. All general fund departments were under budget except for the parks and recreation department which exceeded its budget by $3,959. This was the direct result of the non-cash amortization of a prepaid item (water rights) for the year which was not considered during the budgeting process.

In accordance with A.R.S., the general fund spendable fund balance amount will be budgeted in the next fiscal year. A.R.S. §42-17151 requires that total estimated sources of revenue must equal the total estimated expenditures in the budget for the current fiscal year. The estimated expenditures will likely include an amount for unanticipated contingencies or emergencies, per A.R.S. §42-17102.

Capital asset and debt administration

Capital assets—The County's capital assets for its governmental activities, as of June 30, 2021, amount to $55,334,708 (net of accumulated depreciation). The minor decrease of $271,739 is due primarily to asset disposals during the year.

Graham County's Capital Assets
(Net of depreciation)

	Governmental Activities	
	2021	2020
Land	$ 3,481,430	$ 3,481,430
Buildings	27,687,359	28,612,756
Machinery and equipment	3,032,876	2,002,866
Infrastructure	20,809,618	19,567,157
Construction in progress	323,425	1,942,238
Total	$55,334,708	$55,606,447

Additional information on Graham County's capital assets can be found in Note 6 on pages 19 - 20 of this report.

Long-term debt—At the end of the current fiscal year, the County had total long-term liabilities outstanding of $54,999,067. The largest portion of the long-term liabilities includes $25,385,000 in revenue bonds payable and $26,796,676 for net pension liability. Also included in long-term liabilities is $1,323,103 for the future payment of compensated absences for unused employee vacation and sick leave, capital leases of $682,483, unamortized bond premium of $739,760, and post-closure care costs of $72,045.

Additional information on the County's long-term debt can be found in Note 7 to the financial statements on pages 20 - 22.

Economic factors and next year's budget and rates

- The unemployment rate as of June 2021 for the State was 7.3 percent and for Graham County was slightly lower at 6.9 percent (exclusive of the San Carlos Apache Reservation). This is a decrease from 8.9 percent a year ago, as the County is recovering from the pandemic.
- State shared revenues have increased for the past few years and Graham County is seeing record-high County sales taxes indicative of a healthy local and state economy.
- As Graham County has seen a healthier economy in rural Arizona, the County is working to maintain a budget reserve to minimize future negative fiscal impacts of unforeseen events over which the County has little or no control. In addition, the County is just beginning work on County buildings and facilities maintenance and other projects that have been deferred for years due to lack of economic resources to address needs.
- The County has seen a decrease in long-term care costs, although it is likely only temporary. Costs outside of the County's control have increased, such as indigent attorney, restoration to competency costs, employee healthcare costs, fuel costs, as well as employee pension and retirement costs.
- Inflationary costs and labor market issues are driving up labor costs that will need to be addressed in the upcoming budget cycles.
- The State Legislature is currently considering legislation that would dictate much higher County salaries for some positions without providing any additional resources. This greatly concerns Graham County, and the Board is diligently working to communicate what this legislation would do to the long-term economic stability of the County. These costs, if imposed by the state, would cause significant uncertainties in the development of future County budgets and impact all of Graham County's existing service priorities and programs. The County will continue their efforts to educate state legislators regarding the impact of cost shifts and unfunded state mandates.
- Graham County has worked extremely hard to pay down our unfunded liabilities for the Public Safety Personnel Retirement System (PSPRS) and Corrections Officer Retirement Plan (CORP) for Detention. We have had some success in this area resulting in lower annual pension rates, however, increasing costs from other State-controlled pension systems are still a concern for Graham County. Like other counties in Arizona, Graham County has struggled to pay for required increases to the Elected Officials Retirement Plan (EORP), and Corrections Officer Retirement Plan (CORP) for the Administrative Office of the Courts as employer contribution rates continue to rise annually.
- The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. While the County has fared well financially through the pandemic, the extent to which COVID-19 continues to impact the County's operations and workforce will depend on future developments, which are highly uncertain and cannot be predicted with confidence.

These factors were considered in preparing Graham County's budget for the 2022 fiscal year. The unassigned ending fund balance in the general fund of $10,459,682 was appropriated for spending in the 2020-2021 fiscal year budget, with most of it budgeted in contingency for unexpected needs that may arise during the fiscal year. The remainder was budgeted into capital and non-capital projects to address deferred maintenance needs. Graham County balances the use of available fund balances with realistic revenue projections while implementing a conservative plan for the expenditure of limited resources to meet its citizens' current and future needs. Assessed valuations rose for the third consecutive year after the three prior consecutive years of falling valuations. The County lowered the general fund property tax rate from 2.7500 to 2.6043, which was at the Truth in Taxation Rate for the fiscal year 2022.

Requests for information

This financial report is designed to provide a greater overview of Graham County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Board of Supervisors, 921 W. Thatcher Blvd., Safford, AZ 85546.

Graham County
Statement of net position
June 30, 2021

	Governmental activities
Assets	
Cash, cash equivalents, and investments	$ 19,993,949
Receivables:	
Property taxes	266,261
Accounts	44,887
Due from other governments	2,629,693
Investments held by trustee—restricted	7,858,280
Inventories	327,080
Prepaid assets	268,024
Net pension assets	49,689
Capital assets, not being depreciated	3,804,855
Capital assets, being depreciated, net	51,529,853
Total assets	86,772,571
Deferred outflows of resources	
Deferred outflows related to pensions	7,005,756
Total deferred outflows of resources	7,005,756
Liabilities	
Accounts payable	14,421
Accrued payroll and employee benefits	476,642
Due to other governments	104,816
Noncurrent liabilities	
Due within 1 year	1,827,506
Due in more than 1 year	53,171,561
Total liabilities	55,594,946
Deferred inflows of resources	
Deferred inflows related to pensions	1,750,576
Total deferred inflows of resources	1,750,576
Net position	
Net investment in capital assets	28,527,465
Restricted for:	
Highways and streets	6,330,113
Debt service	8,312,099
Other purposes	2,028,667
Unrestricted (deficit)	(8,765,539)
Total net position	$ 36,432,805

See accompanying notes to financial statements.

Graham County
Statement of activities
Year ended June 30, 2021

Functions/programs	Expenses	Program revenues: Charges for services	Program revenues: Operating grants and contributions	Program revenues: Capital grants and contributions	Net (expense) revenue and changes in net position: Governmental activities
Governmental activities:					
General government	$ 7,404,960	$ 2,181,165	$ 3,113,514		$ (2,110,281)
Public safety	10,970,970	419,083	2,960,741	$ 75,610	(7,515,536)
Highways and streets	5,198,526	202,243	3,741,299	155,675	(1,099,309)
Sanitation	150,140		63,148		(86,992)
Health	1,441,209	70,188	983,019		(388,002)
Welfare	2,888,847				(2,888,847)
Culture and recreation	759,126	56,970	110,000	267,748	(324,408)
Education	2,006,147	1,731,599	99,056		(175,492)
Interest on long-term debt	1,140,285				(1,140,285)
Total governmental activities	$31,960,210	$ 4,661,248	$11,070,777	$ 499,033	(15,729,152)

General revenues:	
Taxes:	
Property taxes, levied for general purposes	6,589,363
County sales taxes, levied for general purposes	2,619,059
Jail District sales tax, levied for debt service	2,615,246
Shared revenue—State sales tax	5,558,057
Shared revenue—State vehicle license tax	2,370,177
State appropriations	550,050
Grants and contributions not restricted to specific programs	3,326,391
Investment earnings	48,211
Miscellaneous	615,112
Gain on disposal of capital assets	13,076
Total general revenues	24,304,742
Change in net position	8,575,590
Net position, July 1, 2020	27,857,215
Net position, June 30, 2021	$ 36,432,805

See accompanying notes to financial statements.

Graham County
Balance sheet
Governmental funds
June 30, 2021

	General Fund	Highway Road Fund	Jail District Operations Fund	Jail District Debt Service Fund	Other governmental funds	Total governmental funds
Assets						
Cash, cash equivalents, and investments	$ 9,306,595	$ 5,665,334	$ 67,664		$ 4,954,356	$ 19,993,949
Investments held by trustee				$ 7,858,280		7,858,280
Receivables:						
Property taxes	259,185				7,076	266,261
Accounts		30,878			14,009	44,887
Due from other governments	1,465,670	354,135	43,216	453,819	312,853	2,629,693
Inventories		327,080				327,080
Prepaid items	268,024					268,024
Total assets	11,299,474	6,377,427	110,880	8,312,099	5,288,294	31,388,174
Liabilities						
Accounts payable			14,421			14,421
Accrued payroll and employee benefits	275,452	47,314	69,504		84,372	476,642
Due to other governments	77,862				26,954	104,816
Total liabilities	353,314	47,314	83,925		111,326	595,879
Deferred inflows of resources						
Unavailable revenue—property taxes	218,454				5,308	223,762
Unavailable revenue—intergovernmental					115,941	115,941
Total deferred inflows of resources	218,454				121,249	339,703
Fund balances						
Nonspendable	268,024	327,080				595,104
Restricted		6,003,033	26,955	8,312,099	2,001,712	16,343,799
Committed					608,870	608,870
Assigned					2,445,137	2,445,137
Unassigned	10,459,682					10,459,682
Total fund balances	10,727,706	6,330,113	26,955	8,312,099	5,055,719	30,452,592
Total liabilities, deferred inflows of resources, and fund balances	$ 11,299,474	$ 6,377,427	$ 110,880	$ 8,312,099	$ 5,288,294	$ 31,388,174

See accompanying notes to financial statements.

Graham County

Reconciliation of the governmental funds balance sheet to the government-wide statement of net position

June 30, 2021

Fund balances—total governmental funds		$ 30,452,592
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets	$ 95,656,352	
Accumulated depreciation	(40,321,644)	55,334,708
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		339,703
Net pension assets held in trust for future benefits are not available for county operations and, therefore, are not reported in the funds.		49,689
Long-term liabilities, such as net pension liabilities and bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Bonds payable	(25,385,000)	
Bond premium	(739,760)	
Net pension liability	(26,796,676)	
Compensated absences payable	(1,323,103)	
Leases payable	(682,483)	
Landfill liability	(72,045)	(54,999,067)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.		5,255,180
Net position of governmental activities		$ 36,432,805

See accompanying notes to financial statements.

Graham County

Statement of revenues, expenditures, and changes in fund balances
Governmental funds
Year ended June 30, 2021

	General Fund	Highway Road Fund	Jail District Operations Fund	Jail District Debt Service Fund	Other governmental funds	Total governmental funds
Revenues:						
Property taxes	$ 6,423,770				$ 211,639	$ 6,635,409
County sales taxes	2,619,059			$ 2,615,246		5,234,305
Licenses and permits	106,955					106,955
Intergovernmental	13,108,347	$ 4,811,514	$ 468,981		4,171,778	22,560,620
Charges for services	1,478,219	202,243	80,447		2,388,342	4,149,251
Fines and forfeits	245,262				35,171	280,433
Investment earnings	33,019	15,735	(94)	4,023	(4,472)	48,211
Rents	26,626				97,983	124,609
Miscellaneous	30,666	271,640	5,884		167,808	475,998
Donations					139,114	139,114
Total revenues	24,071,923	5,301,132	555,218	2,619,269	7,207,363	39,754,905
Expenditures:						
Current:						
General government	6,991,621				807,065	7,798,686
Public safety	6,055,749		3,813,392		2,626,495	12,495,636
Highways and streets		4,056,308			178,177	4,234,485
Sanitation	87,957				63,180	151,137
Health	133,960				1,306,851	1,440,811
Welfare	2,888,847					2,888,847
Culture and recreation	433,371				243,312	676,683
Education	248,746				1,811,582	2,060,328
Debt service:						
Principal				250,000		250,000
Interest and other charges				1,140,285		1,140,285
Capital outlay	230,365	618,401	496,512		547,416	1,892,694
Total expenditures	17,070,616	4,674,709	4,309,904	1,390,285	7,584,078	35,029,592
Excess (deficiency) of revenues over expenditures	7,001,307	626,423	(3,754,686)	1,228,984	(376,715)	4,725,313
Other financing sources (uses):						
Capital lease agreements			306,452			306,452
Sale of capital assets	1,054	3,149	1,809		7,064	13,076
Transfers in	91,822		3,382,211		283,712	3,757,745
Transfers out	(3,440,149)	(210,282)			(107,314)	(3,757,745)
Total other financing sources (uses)	(3,347,273)	(207,133)	3,690,472		183,462	319,528
Net change in fund balances	3,654,034	419,290	(64,214)	1,228,984	(193,253)	5,044,841
Fund balances, July 1, 2020	7,073,672	5,857,023	91,169	7,083,115	5,248,972	25,353,951
Changes in nonspendable resources:						
Increase in inventories		53,800				53,800
Fund balances, June 30, 2021	$ 10,727,706	$ 6,330,113	$ 26,955	$ 8,312,099	$ 5,055,719	$ 30,452,592

See accompanying notes to financial statements.

Graham County

Reconciliation of the governmental funds statement of revenues, expenditures, and changes in fund balances to the government-wide statement of activities
Year ended June 30, 2021

Net change in fund balances—total governmental funds		$ 5,044,841
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	$ 1,892,694	
Less current year depreciation	(2,663,466)	(770,772)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Intergovernmental revenues	115,941	
Capital contributions	499,033	568,928
Collections of revenues in the governmental funds exceeded revenues reported in the statement of activities.		
Property taxes		(46,046)
County pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension liability is measured a year before the County's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the statement of activities.		
County pension contributions	4,107,866	
Pension expense	(602,765)	
State's nonemployer pension contributions	198,891	3,703,992
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is issued, whereas these amounts are amortized in the statement of activities.		
Capital lease obligations	(306,452)	
Amortization of bond premium	38,934	
Principal payments on long-term (bond) debt	250,000	
Principal payments on long-term (capital lease) debt	56,601	39,083
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available.		
Increase in compensated absences	(65,279)	
Decrease in landfill closure and postclosure care costs	997	(64,282)
Some cash outlays, such as purchases of inventories, are reported as expenditures in the governmental funds when purchased. In the statement of activities, however, they are reported as expenses when consumed.		
Increase in inventories		53,800
Change in net position of governmental activities		$ 8,575,590

See accompanying notes to financial statements.

Graham County
Statement of fiduciary net position
Fiduciary funds
June 30, 2021

	Private-purpose trust funds	Custodial funds: External investment pool	Custodial funds: Other
Assets			
Cash, cash equivalents, and investments	$ 122,026	$ 24,011,256	$ 694,216
Property tax receivable for other governments			844,023
Total assets	122,026	24,011,256	1,538,239
Liabilities			
Due to others			11,624
Due to other governments			165,002
Total liabilities			176,626
Net position			
Restricted for:			
Pool participants		24,011,256	
Individuals, organizations, and other governments	122,026		1,361,613
Total net position	$ 122,026	$ 24,011,256	$ 1,361,613

See accompanying notes to financial statements.

Graham County
Statement of changes in fiduciary net position
Fiduciary funds
Year ended June 30, 2021

	Private-purpose trust funds	Custodial funds: External investment pool	Custodial funds: Other
Additions:			
Contributions from pool participants		$ 95,484,701	
Property tax collections for other governments			$ 18,544,521
Investment earnings		69,709	
Inmate collections			247,172
Other	$ 273,170		3,969,079
Total additions	273,170	95,554,410	22,760,772
Deductions:			
Distributions to pool participants		94,901,818	
Property tax distributions to other governments			18,758,581
Payments to inmates			225,235
Other	248,652		3,940,383
Total deductions	248,652	94,901,818	22,924,199
Net increase (decrease) in fiduciary net position	24,518	652,592	(163,427)
Net position, July 1, 2020, as restated	97,508	23,358,664	1,525,040
Net position, June 30, 2021	$ 122,026	$ 24,011,256	$ 1,361,613

See accompanying notes to financial statements.

Note 1 – Summary of significant accounting policies

Graham County's accounting policies conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

For the year ended June 30, 2021, the County implemented the provisions of GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes. As a result, the County's fiduciary fund financial statements have been modified to reflect the implementation of this new guidance, including reclassifying activities previously reported in agency funds to custodial or governmental funds, as applicable.

A. Reporting entity

The County is a general purpose local government that is governed by a separately elected board of 3 County supervisors. The accompanying financial statements present the activities of the County (the primary government) and its component units.

Component units are legally separate entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are so intertwined with the County that they are in substance part of the County's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County. Each blended component unit discussed below has a June 30 year-end. The County has no discretely presented component units.

The Graham County Flood Control District is a legally separate tax-levying entity pursuant to Arizona Revised Statutes (A.R.S.) §48-3602 that provides flood control facilities and regulates floodplains and drainage to prevent flooding of property within Graham County. The Graham County Jail District is a legally separate tax-levying entity pursuant to A.R.S. §48-4001 that acquires, constructs, operates, maintains, and finances the County adult detention facility. As the Graham County Board of Supervisors serves as the Board of Directors of the Flood Control and Jail Districts, it is able to significantly influence the programs, projects, activities, and level of services provided by the districts; the Board also establishes policy, appoints management, exercises budgetary control, and determines the Flood Control District's tax rate. Further, the districts provide services almost entirely for the benefit of the County; therefore, the Flood Control and the Jail Districts are considered blended component units of the County. Separate financial statements for the districts are not available.

B. Basis of presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the County as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the information's usefulness.

Government-wide statements—Provide information about the primary government (the County) and its component units. The statements include a statement of net position and a statement of activities. These statements report the overall government's financial activities, except for fiduciary activities. Governmental activities generally are financed through taxes and intergovernmental revenues.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County does not allocate indirect expenses to programs or functions. Program revenues include:

- Charges to customers or applicants for goods, services, or privileges provided;
- Operating grants and contributions.
- Capital grants and contributions.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes the County levies or imposes, are reported as general revenues.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double-counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

Fund financial statements—Provide information about the County's funds, including fiduciary funds and blended component units. Separate statements are presented for the governmental and fiduciary fund categories. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

The County reports the following major governmental funds:

The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Highway Road Fund* accounts for road construction and maintenance of major regional roads and is funded by highway user revenue fund (HURF) and vehicle license taxes.

The *Jail District Operations Fund* accounts for all financial resources of the Jail District and is funded mainly by maintenance-of-effort payments from the County's General Fund.

The *Jail District Debt Service Fund* accounts for the accumulation of resources for, and the payment of, principal and interest on bonds issued to finance the construction of a new adult detention facility. Revenues are from the voter-approved Jail District sales tax.

The County also reports the following fund types:

The *fiduciary funds* consist of private-purpose trust funds, which account for assets the County's Public Fiduciary holds in trust for the benefit of various parties; and custodial funds, which account for other fiduciary activities, including the pooled assets the County Treasurer holds and invests on behalf of other governmental entities that are not held in trust and the County Treasurer's receipt and distribution of taxes for other governmental entities.

C. Basis of accounting

The government-wide and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Under the terms of grant agreements, the County funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. The County applies grant resources to such programs before using general revenues.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The County's major revenue sources that are susceptible to accrual are property taxes, intergovernmental, charges for services, and investment earnings. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and landfill closure and postclosure care costs, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

D. Cash and investments

All investments are stated at fair value.

E. Inventories

Inventories in the government-wide financial statements are recorded as assets when purchased and expensed when consumed. These inventories are stated at cost using the first-in, first-out valuation method.

The County accounts for its inventories in the governmental funds using the purchase method. Inventories of the governmental funds consist of expendable supplies held for consumption and are recorded as expenditures at the time of purchase. Amounts on hand at year-end are shown on the balance sheet as an asset for informational purposes only and as nonspendable fund balance to indicate that they do not constitute "available spendable resources." These inventories are stated at cost using the first-in, first-out valuation method.

F. Prepaid items

The County reports prepaid items as an asset in the period in which they were purchased and defers recognition of the expenditure until the period in which the prepaid items are consumed. The prepaid items of the governmental funds consist of prepaid water costs and amounts at year-end are shown on the balance sheet as nonspendable fund balance to indicate that they do not constitute “available spendable resources.”

G. Property tax calendar

The County levies real and personal property taxes on or before the third Monday in August that become due and payable in 2 equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

H. Capital assets

Capital assets are reported at actual cost. Donated assets are reported at acquisition value.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	Capitalization threshold	Depreciation method	Estimated useful life
Land (including right of ways)	$10,000		
Land improvements	10,000		
Construction in progress	10,000		
Buildings	10,000	Straight-line	40 years
Machinery and equipment	2,500	Straight-line	5-28 years
Vehicles	5,000	Straight-line	5 years
Infrastructure	10,000	Straight-line	40 years

I. Deferred outflows and inflows of resources

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods.

J. Pensions

For purposes of measuring the net pension asset and liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

K. Fund balance classifications

The governmental funds' fund balances are reported separately within classifications based on a hierarchy of the constraints placed on those resources' use. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, such as inventories, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

The unrestricted fund balance category is composed of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations that the County's Board of Supervisors approved, which is the highest level of decision-making authority within the County. Only the Board can remove or change the constraints placed on committed fund balances.

Assigned fund balances are resources constrained by the County's intent to be used for specific purposes, but that are neither restricted nor committed. The Board of Supervisors has authorized the County manager to assign resources for a specific purpose.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, the County will use restricted fund balance first. The County will use committed amounts first when disbursing unrestricted fund balances, followed by assigned amounts, and lastly unassigned amounts.

L. Investment earnings

Investment earnings is composed of interest, dividends, and net changes in the fair value of applicable investments.

M. Compensated absences

Compensated absences payable consists of vacation leave and a calculated amount of sick leave employees earned based on services already rendered.

Employees may accumulate up to 320 hours of vacation depending on years of service, but they forfeit any unused vacation hours in excess of the maximum amount at calendar year-end. Upon terminating employment, the County pays all unused and unforfeited vacation benefits to employees. Accordingly, vacation benefits are accrued as a liability in the government-wide financial statements. A liability for these amounts is reported in the governmental funds' financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal year-end.

Employees may accumulate an unlimited amount of sick leave hours. Generally, sick leave benefits provide for ordinary sick pay and are cumulative, but employees forfeit them upon terminating employment. Because sick leave benefits do not vest with employees, a liability for sick leave benefits is not accrued in the financial statements. However, upon retirement, employees who have accumulated at least 500 hours of sick leave receive some benefit payments. Benefit payments vary based on the number of hours accumulated but cannot exceed 1,500 hours or $30,000. A liability is calculated for all employees whose accumulated sick leave exceeds 500 hours at the end of the fiscal year and accrued as a liability in the government-wide financial statements. Vested sick leave is accrued in the government-wide financial statements at the lesser of $30,000 or the number of accrued hours multiplied by the employee's current hourly rate at the rate of reimbursement presented below. Vested sick leave hours are accrued in the governmental funds' financial statements only if they have matured, for example, as a result of employee retirements by fiscal year-end.

Sick leave balance	Rate of reimbursement
500–749 hours	25% of accrued leave hours
750–999 hours	33% of accrued leave hours
1,000–1,500 hours	50% of accrued leave hours

Note 2 – Change in accounting principle

Net position as of July 1, 2020, has been restated as follows for the implementation of GASB Statement No. 84, *Fiduciary Activities*.

			Custodial funds	
	Investment Trust Funds	Private-Purpose Trust Funds	External Investment Pool	Other
Net position as previously reported at June 30, 2020	$ 23,358,664			
Prior period adjustment - implementation of GASB 84:				
Reclassification of investment pools	(23,358,664)		$23,358,664	
Reclassification of agency fund activities		$97,508		$1,525,040
Net position as restated, July 1, 2020	$ 0	$97,508	$23,358,664	$1,525,040

Note 3 – Deposits and investments

Arizona Revised Statues (A.R.S.) authorize the County to invest public monies in the State Treasurer's investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified State and local government bonds, notes, and other evidences of indebtedness including registered warrants for counties, incorporated cities and towns, school districts, or special taxing districts; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper issued by corporations organized and doing business in the United States; specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the County Treasurer may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

Credit risk
Statutes have the following requirements for credit risk:

1. Commercial paper must be of prime quality and be rated within the top 2 ratings by a nationally recognized rating agency.
2. Specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars must be rated "A" or better at the time of purchase by at least 2 nationally recognized rating agencies.
3. Fixed income securities must carry 1 of the 2 highest ratings by Moody's investors service and Standard and Poor's rating service. If only 1 of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk
Statutes require collateral for deposits at 102 percent of all deposits federal depository insurance does not cover.

Concentration of credit risk
Statutes do not include any requirements for concentration of credit risk.

Interest rate risk
Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years. The maximum maturity for investments in repurchase agreements is 180 days.

Foreign currency risk
Statutes do not allow foreign investments unless the investment is denominated in United States dollars.

Deposits—At June 30, 2021, the carrying amount of the County's deposits was $3,364,444, and the bank balance was $5,150,110. The County does not have a formal policy with respect to custodial credit risk.

Investments—The County had total investments of $49,285,051 at June 30, 2021. The County categorizes certain investments measured at fair value within the fair value hierarchy established by generally accepted accounting principles as follows:

		Fair value measurement using		
	Amount	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Investments by fair value level				
U.S. agency securities	$10,854,418		$10,854,418	
Negotiable certificates of deposit	12,534,940	$12,534,940		
Money market funds with trustee	7,858,280	7,858,280		
Total investments categorized by fair value level	$31,247,638	$20,393,220	$10,854,418	
Investments measured at the net asset value (NAV)				
School district warrants	$ 2,529,779			

	Amount	Fair value measurement using Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
External investment pools measured at fair value				
State Treasurer's investment pools	$15,507,634			
Total investments	$49,285,051			

Investments categorized as Level 1 are valued using prices quoted in active markets for those investments. Investments categorized as Level 2 are valued using an automated-IDC institutional bond pricing model. School district warrants are valued using a net asset value (NAV) of $1.00 per share. Investments in the State Treasurer's investment pools are valued at the pool's share price multiplied by the number of shares the County held. The fair value of a participant's position in the pools approximates the value of that participant's pool shares. The State Board of Investment provides oversight for the State Treasurer's investment pools.

The money market fund investments are attributable solely to the Jail District Debt Service Fund. Monies from the Jail District's tax levy and remaining unspent revenue bond proceeds reported in the Jail District Debt Service Fund were invested in these money market funds through a trustee.

Credit risk—Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The County does not have a formal policy with respect to credit risk. At June 30, 2021, credit risk for the County's investments was as follows:

Investment type	Rating	Rating agency	Amount
U.S. agency securities	Aaa	Moody's	$10,854,418
Negotiable certificates of deposit	Unrated	Not applicable	12,534,940
Money market funds with trustee	AAAm	Standard & Poor's	7,858,280
School district warrants	Unrated	Not applicable	2,529,779
State Treasurer's investment pool 7	Unrated	Not applicable	4,758,937
State Treasurer's investment pool 5	AAAf/S1+	Standard & Poor's	10,748,697
Total			$49,285,051

Custodial credit risk—For an investment, custodial credit risk is the risk that, in the event of the counterparty's failure, the County will not be able to recover the value of its investments or collateral securities that are in an outside party's possession. The County's formal policy stipulates that securities shall be held in the name of Graham County Treasurer. At June 30, 2021, the County did not have investments exposed to custodial credit risk.

Concentration of credit risk—Concentration of credit risk is the risk of loss associated with the significance of investments in a single issuer. The County does not have a formal policy with respect to concentration of credit risk. The County has investments at June 30, 2021, of 5 percent or more in Federal Farm Credit Bank, Federal Home Loan Bank, and Safford School District. These investments were 12.13 percent, 5.85 percent, and 5.13 percent, respectively, of the County's total investments.

Interest rate risk—Interest rate risk is the risk that changes in interest rates will adversely affect an investment's fair value. The County does not have a formal policy with respect to interest rate risk.

At June 30, 2021, the County had the following investments in debt securities:

Investment type	Amount	Weighted average maturity (in years)
U.S. agency securities	$10,854,418	3.06
Negotiable certificates of deposit	12,534,940	1.72
Money market funds with trustee	7,858,280	0.09
School district warrants	2,529,779	indefinite
State Treasurer's investment pool 7	4,758,937	0.15
State Treasurer's investment pool 5	10,748,697	0.19
Total	$49,285,051	

A reconciliation of cash, deposits, and investments to amounts shown on the statement of net position follows:

Cash, deposits, and investments:

Cash on hand	$ 30,232
Amount of deposits	3,364,444
Amount of investments	49,285,051
Total	$52,679,727

	Governmental activities	Private purpose trust funds	Custodial funds		Total
			External investment pools	Other	
Statement of net position:					
Cash, cash equivalents, and investments	$19,993,949	$122,026	$24,011,256	$694,216	$44,821,447
Investments held by trustee—restricted	7,858,280				7,858,280
Total	$27,852,229	$122,026	$24,011,256	$694,216	$52,679,727

Note 4 – County Treasurer's investment pool

Arizona Revised Statutes require community colleges, school districts, and other local governments to deposit certain public monies with the County Treasurer. The Treasurer has a fiduciary responsibility to administer those and the County's monies under her stewardship. The Treasurer invests, on a pool basis, all idle monies not specifically invested for a fund or program. In addition, the Treasurer determines the fair value of those pooled investments annually at June 30.

The County Treasurer's investment pool is not registered with the Securities and Exchange Commission as an investment company, and there is no regulatory oversight of its operations. The pool's structure does not provide for shares, and the County has not provided or obtained any legally binding guarantees to support the value of the participants' investments.

The Treasurer allocates interest earnings to each of the pool's participants. However, for the County's monies in the pool, $1,148 of interest earned in certain other funds was transferred to the General Fund.

The deposits and investments the County holds are included in the County Treasurer's investment pool, except for $4,550 of cash on hand, $886,972 of deposits, $64,461 of investments in the State Treasurer's investment pools, and $7,858,280 of investments held by trustee. Therefore, the deposit and investment risks of the Treasurer's investment pool are substantially the same as the County's deposits and investment risk. See Note 3 for disclosure of the County's deposit and investment risks.

Details of each major investment classification follow:

Investment type	Principal	Interest rates	Maturities	Amount
State Treasurer's investment pool 5	$10,658,916	None stated	None stated	$10,684,236
State Treasurer's investment pool 7	4,758,898	None stated	None stated	4,758,937
Negotiable certificates of deposit	12,410,000	0.2-3.10%	07/21 – 05/25	12,534,940
U.S. agency securities	10,888,889	0.2-0.74%	09/22 – 06/25	10,854,418
School district warrants	2,529,779	None stated	Indefinite	2,529,779

A condensed statement of the investment pool's net position and changes in net position follows:

Statement of fiduciary net position	
Assets	$ 43,865,464
Net position	$ 43,865,464
Net position held for:	
Internal participants	$ 19,854,208
External participants	24,011,256
Total net position	$ 43,865,464
Statement of changes in fiduciary net position	
Total additions	$137,088,107
Total deductions	131,806,913
Net increase	5,281,194
Net position	
July 1, 2020	38,584,270
June 30, 2021	$ 43,865,464

Note 5 – Due from other governments

Amounts due from other governments at June 30, 2021, are shown as follows:

	General fund	Highway road fund	Jail district operations fund	Jail district debt service fund	Other governmental funds	Total
State-shared sales tax	$ 928,407					$ 928,407
County sales tax	454,770					454,770
Jail district sales tax				$453,819		453,819
State-shared vehicle license tax	53,320	$ 44,957				98,277
Highway user revenue		302,393				302,393
Grants and contributions from local, state and federal governments	29,173				312,853	342,026
Reimbursement for services provided for governmental units			$43,216			43,216
Miscellaneous reimbursements		$ 6,785				6,785
	$1,465,670	$354,135	$43,216	$453,819	$312,853	$2,629,693

Note 6 – Capital assets

Capital asset activity for the year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 3,481,430			$ 3,481,430
Construction in progress	1,942,238	$ 509,919	$2,128,732	323,425
Total capital assets not being depreciated	5,423,668	509,919	2,128,732	3,804,855
Capital assets being depreciated:				
Buildings	38,279,106	16,490	59,304	38,236,292
Machinery and equipment	15,128,760	1,866,224	602,376	16,392,248
Infrastructure	35,095,131	2,127,826		37,222,957
Total of assets being depreciated	88,502,997	4,010,540	662,040	91,851,497
Less accumulated depreciation for:				
Buildings	9,666,350	941,887	59,304	10,548,933
Machinery and equipment	13,125,894	836,214	602,736	13,359,372
Infrastructure	15,527,974	885,365		16,413,339
Total	38,320,218	2,663,466	662,040	40,321,644
Total capital assets being depreciated, net	50,182,779	1,347,074		51,529,853
Governmental activities capital assets, net	$55,606,447	$1,856,993	$2,128,732	$55,334,708

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	$ 285,397
Public safety	925,466
Highways and streets	1,222,686
Health	62,350
Culture and recreation	97,975
Education	69,592
Total governmental activities depreciation expense	$2,663,466

The $2.129 million decrease in construction-in-progress, and the $2.128 million increase in infrastructure assets are both mainly due to the finalization of the construction of a round-about located at the intersection of Eighth Avenue, Airport Road, and Safford-Bryce Road. The round-about was placed in service on August 31, 2020, for $2.096 million. The Arizona Department of Transportation is responsible for $2.001 million of the round-about costs.

The $1.866 million increase in machinery and equipment is mainly comprised of the purchase of $303,329 in new lights at the fairgrounds, $299,999 for a solar array at the adult detention facility, $498,658 for two new motor graders and a used chip spreader for the Highway road fund, $483,146 for new vehicles, and $171,838 in computers, switches, and other Information Technology equipment.

Note 7 – Long-term liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2021:

Governmental activities	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due within 1 year
Bonds payable:					
Revenue bonds	$25,635,000		$ 250,000	$25,385,000	$ 790,000
Premium on bonds	778,694		38,934	739,760	38,935
Total bonds payable	26,413,694		288,934	26,124,760	828,935
Compensated absences payable	1,257,824	$ 829,827	764,548	1,323,103	926,172
Capital leases payable	432,632	306,452	56,601	682,483	69,759
Net pension liability	24,620,740	2,175,936		26,796,676	
Landfill closure and post-closure care costs payable	73,042	1,483	2,480	72,045	2,640
Total governmental activities long-term liabilities	$52,797,932	$1,137,762	$1,112,563	$54,999,067	$1,827,506

Bonds—The County's bonded debt consists of one issuance of $26,340,000 of revenue bonds that are generally noncallable with interest payable semiannually. Bond proceeds paid for the construction of an adult detention facility as part of the County Jail District. The County has pledged, as security for bonds issued, the proceeds from a half-cent sales tax to be used for debt repayment of the bonds. The projected amount of the revenue pledged was estimated to be $2 million for fiscal year 2021 and each year thereafter. The sales tax, which was voter approved for the purpose of building the adult detention facility, began on July 1, 2015, and continues for 25 years. One hundred percent of this special sales tax collected is pledged to be used for required debt repayment of the bonds. The revenue bonds were issued on September 23, 2015. For fiscal year 2021, $2,615,246 of pledged revenues were recognized. Interest payments of $1,140,494 and principal payments of $250,000 were due in fiscal year 2021. The final bond principal and interest payments will be made on July 1, 2040.

The following bond was outstanding at June 30, 2021:

Description	Amount issued	Maturity ranges	Interest rates	Outstanding Principal
Revenue bonds	$26,340,000	7/1/2021-7/1/2040	3.500%-5.000%	$25,385,000

The following schedule details debt service requirements to maturity for the County's bond payable at June 30, 2021:

	Governmental activities Revenue bonds	
Year ending June 30	**Principal**	**Interest**
2022	$ 790,000	$ 1,115,744
2023	830,000	1,075,244
2024	870,000	1,032,744
2025	915,000	988,119
2026	960,000	941,244
2027-2031	5,555,000	3,939,256
2032-2036	6,930,000	2,539,444
2037-2041	8,535,000	909,046
Total	$25,385,000	$12,540,841

Capital leases—The County has acquired equipment (two motor graders, a solar panel array, and a copy machine) under the provisions of various long-term lease agreements classified as capital leases for accounting purposes because they provide for a bargain purchase option or a transfer of ownership by the end of the lease term.

The following assets were acquired through capital leases:

	Governmental activities
Assets:	
Equipment	$943,497
Less: accumulated depreciation	509,924
Carrying value	$433,573

The following schedule details minimum lease payments to maturity for the County's capital leases payable at June 30, 2021:

	Governmental activities
Year ending June 30	
2022	$ 81,930
2023	81,638
2024	164,922
2025	129,299
2026	11,672
2027-31	57,491
2032-36	56,068
2037-41	54,680
2042-46	53,327
2047-48	25,935
Total minimum lease payments	716,962
Less amount representing interest	34,479
Present value of net minimum lease payments	$682,483

Landfill closure and postclosure care costs—State and federal laws and regulations required the County to place a final cover on its Central landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure.

The County closed the landfill in 2003. The $72,045 reported as landfill postclosure care costs payable at June 30, 2021, is based on what it would cost to perform all remaining postclosure care in fiscal year 2021. These costs will be paid from the General Fund. The actual cost may be higher because of inflation, changes in technology, or changes in regulations.

According to state and federal laws and regulations, the County must comply with the local government financial test requirements to ensure the County can meet the costs of landfill closure, postclosure, and corrective action when needed. The County is in compliance with these requirements.

Compensated Absences—Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2021, the County paid for compensated absences as follows: 59 percent from General Fund, 8 percent from the highway road fund, 15 percent from the jail district operations fund, and 18 percent from other governmental funds.

Note 8 – Fund balance classifications of the governmental funds

The fund balance classifications of the governmental funds as of June 30, 2021, were as follows:

	General Fund	Highway Road Fund	Jail District Operations Fund	Jail District Debt Service Fund	Other governmental funds	Total governmental funds
Fund balances:						
Nonspendable:						
Inventories		$ 327,080				$ 327,080
Prepaid items	$ 268,024					268,024
Total nonspendable	268,024	327,080				595,104
Restricted for:						
Social services					$ 508,445	508,445
Law enforcement			$26,955		428,746	455,701
Highways and streets		6,003,033			25,500	6,028,533
Health					768,149	768,149
Education					257,274	257,274
Debt service				$8,312,099		8,312,099
Capital outlay					13,598	13,598
Total restricted		6,003,033	26,955	8,312,099	2,001,712	16,343,799
Committed to:						
Social services					$ 232,100	$ 232,100
Highways and streets					376,770	376,770
Total committed					608,870	608,870
Assigned to:						
Social services					827,652	827,652
Law enforcement					207,004	207,004
Health					63,492	63,492
Welfare					197,373	197,373
Education					1,119,543	1,119,543
Capital outlay					30,073	30,073
Total assigned					2,445,137	2,445,137
Unassigned:	$10,459,682					10,459,682
Total fund balances	$10,727,706	$6,330,113	$26,955	$8,312,099	$5,055,719	$30,452,592

Note 9 – Risk management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For these risks of loss, the County joined and is covered by three public entity risk pools: the Arizona Counties Property and Casualty Pool, the Arizona Counties Workers' Compensation Pool, and the Arizona Local Government Employee Benefit Trust that are described below.

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 13 member counties. The pool provides member counties catastrophic loss coverage for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; cyber security; and natural disasters; and provides risk management services. Such coverage includes all defense costs as well as the amount of any judgment or settlement. The County is responsible for paying a premium based on its exposure in relation to the exposure of the other participants, and a deductible of $5,000 per occurrence for property claims and $25,000 per occurrence for liability claims. The County is also responsible for any payments in excess of the maximum coverage of $300 million per occurrence for property claims and $15 million per occurrence for liability claims. However, lower limits apply to certain categories of losses. A county must participate in the pool at least 3 years after becoming a member; however, it may withdraw after the initial 3-year period.

The Arizona Counties Workers' Compensation Pool is a public entity risk pool currently composed of 13 member counties. The pool provides member counties with workers' compensation coverage, as law requires, and risk-management services. The County is responsible for paying a premium, based on an experience-rating formula, class code rates, and actual payroll that allocates pool expenditures and liabilities among the members.

The Arizona Local Government Employee Benefit Trust is a public entity risk pool currently composed of 9 member entities. The pool provides member entities with health, prescription, dental, vision, life, short-term disability, and accidental death benefits for the entities' employees and their dependents. The County is responsible for paying a premium based on enrolled employees and dependents and requires its employees to contribute a portion of that premium. If it withdraws from the Trust, the County is responsible for any claims run-out costs, including claims reported but not settled, claims incurred but not reported, and administrative costs. If the Trust were to terminate, the County would be responsible for its proportional share of any trust deficit.

The Arizona Counties Property and Casualty Pool, the Arizona Counties Workers' Compensation Pool, and the Arizona Local Government Employee Benefit Trust receive independent audits annually and an audit by the Arizona Department of Insurance every 5 years. All pools accrue liabilities for losses that have been incurred but not reported. These liabilities are determined annually based on an independent actuarial valuation. If a pool were to become insolvent, the County would be assessed an additional contribution.

Note 10 – Pensions

The County contributes to the plans described below. The plans are component units of the State of Arizona.

At June 30, 2021, the County reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of net position and statement of activities	Governmental activities
Net pension liability	$26,796,676
Net pension asset	49,689
Deferred outflows of resources	7,005,756
Deferred inflows of resources	1,750,576
Pension expense	602,765

The County's accrued payroll and employee benefits includes $37,377 of outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2021. Also, the County reported $4,107,866 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

A. Arizona State Retirement System

Plan description—County employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 2. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

Benefits provided—The ASRS provides retirement and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

ASRS	Retirement Initial membership date: Before July 1, 2011	 On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

* With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions—In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2021, statute required active ASRS members to contribute at the actuarially determined rate of 12.04 percent of the members' annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 11.65 percent of the active members' annual covered payroll. In addition, the County was required by statute to contribute at the actuarially determined rate of 10.14 percent of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the ASRS would typically fill. The County's contributions to the pension plan for the year ended June 30, 2021, were $867,203.

During fiscal year 2021, the County paid for ASRS pension contributions as follows: 54.4 percent from the General Fund, 15.4 percent from the Highway Road Fund, 2.5 percent from the Jail District Operations Fund, and 27.6 percent from other funds.

Pension liability—At June 30, 2021, the County reported a liability of $11,068,181 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2019, to the measurement date of June 30, 2020.

The County's proportion of the net pension liability was based on the County's actual contributions to the plan relative to the total of all participating employer's contributions for the year ended June 30, 2020. The County's proportion measured as of June 30, 2020, was 0.0639 percent, which was a decrease of 0.0008 from its proportion measured as of June 30, 2019.

Pension expense and deferred outflows/inflows of resources—For the year ended June 30, 2021, the County recognized pension expense for ASRS of $687,414. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 100,131	
Net difference between projected and actual earnings on pension plan investments	1,067,539	
Changes in proportion and differences between County contributions and proportionate share of contributions	18,855	$227,860
County contributions subsequent to the measurement date	867,203	
Total	$2,053,728	$227,860

The $867,203 reported as deferred outflows of resources related to ASRS pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ending June 30	
2022	$ (44,434)
2023	286,774
2024	386,140
2025	330,185

Actuarial assumptions—The significant actuarial assumptions used to measure the total pension liability are as follows:

ASRS	
Actuarial valuation date	June 30, 2019
Actuarial roll forward date	June 30, 2020
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7-7.2%
Inflation	2.3%
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

ASRS Asset class	**Target allocation**	**Long-term expected geometric real rate of return**
Equity	50%	6.39%
Fixed income - credit	20%	5.44%
Fixed income - interest rate sensitive	10%	0.22%
Real estate	20%	5.85%
Total	100%	

Discount rate—The discount rate used to measure the ASRS total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributors from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the ASRS net pension liability to changes in the discount rate—The following table presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

ASRS	1% decrease (6.5%)	Current discount rate (7.5%)	1% increase (8.5%)
County's proportionate share of the net pension liability	$15,135,588	$11,068,181	$7,668,038

Pension plan fiduciary net position—Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

B. Public Safety Personnel Retirement System and Corrections Officer Retirement Plan

Plan descriptions—County sheriff employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participated in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans. A 9-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plan, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plan (PSPRS Tier 3 Risk Pool) which is not further disclosed because of its relative insignificance to the County's financial statements.

County detention officers; County dispatchers; and Administrative Office of the Courts (AOC) probation, surveillance, and juvenile detention officers participate in the Corrections Officer Retirement Plan (CORP) or the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The CORP administers an agent multiple-employer defined benefit pension plan for County detention officers and dispatchers (agent plans), which were closed to new members as of July 1, 2018, and a cost-sharing multiple-employer defined benefit pension plan for AOC officers (cost-sharing plan). Employees who were CORP members before July 1, 2018, participate in CORP, and AOC probation and surveillance officers who became members on or after July 1, 2018, participate in CORP or PSPDCRP. Detention officers and juvenile detention officers who became members on or after July 1, 2018, participate in PSPDCRP. The PSPRS Board of Trustees and the participating local boards govern CORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPRS and CORP plans. The report is available on the PSPRS website at www.psprs.com.

Benefits provided—The PSPRS and CORP provide retirement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

PSPRS	Initial membership date: Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017
Retirement and disability		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent		
Normal retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5 to 2.5% per year of credited service, not to exceed 80%
Accidental disability retirement	50% or normal retirement, whichever is greater	
Catastrophic disability retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary disability retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor benefit		
Retired members	80% to 100% of retired member's pension benefit	
Active members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

CORP	Initial membership date: Before January 1, 2012	On or after January 1, 2012 and before July 1, 2018	AOC probation and surveillance officers: On or after July 1, 2018
Retirement and disability			
Years of service and age required to receive benefit	Sum of years and age equals 80 25 years, any age (dispatchers) 20 years, any age (all others) 10 years, age 62	25 years, age 52.5 10 years, age 62	10 years, age 52.5* 10 or more years, age 55
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years	
Benefit percent			
Normal retirement	2.0% to 2.5% per year of credited service, not to exceed 80%	2.5% per year of credited service, not to exceed 80%	1.25% to 2.25% per year of credited service, not to exceed 80%
Accidental disability retirement	50% or normal retirement if more than 20 years of credited service	50% or normal retirement if more than 25 years of credited service	
Total and permanent disability retirement	50% or normal retirement if more than 25 years of credited service		
Ordinary disability retirement	2.5% per year of credited service		
Survivor benefit			
Retired members	80% of retired member's pension benefit		
Active members	40% of average monthly compensation or 100% of average monthly compensation if death was the result of injuries received on the job. If there is no surviving spouse or eligible children, the beneficiary is entitled to 2 times the member's contributions.		

*With actuarially reduced benefits.

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Employees covered by benefit terms—At June 30, 2021, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Sheriff	CORP Detention	CORP Dispatchers
Inactive employees or beneficiaries currently receiving benefits	9	5	0
Inactive employees entitled to but not yet receiving benefits	4	30	4
Active employees	14	20	3
Total	27	55	7

Contributions—State statutes establish the pension contribution requirements for active PSPRS and CORP employees. In accordance with State statutes, annual actuarial valuations determine employer contribution requirements for PSPRS and CORP pension benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2021, are indicated below. Rates are a percentage of active members' annual covered payroll.

	Active member—pension	County—pension
PSPSRS Sheriff	7.65%-11.65%	35.52%
CORP Detention	8.41	10.18%
CORP Dispatchers	7.96	6.08%
CORP AOC	8.41 or 10.18	33.58 or 32.79

In addition, statute required the County to contribute at the actuarially determined rate indicated below of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the PSPRS or CORP would typically fill and employees participating in the PSPRS Tier 3 Risk Pool and PSPDCRP members in addition to the County's required contributions to the PSPRS Tier 3 Risk Pool and PSPDCRP.

	PSPRS Sheriff	CORP Detention	CORP Dispatchers	CORP AOC
Pension	23.73%	3.36%	0.48%	27.84%

The County's contributions to the plans for the year ended June 30, 2021, were:

	Pension
PSPRS Sheriff	$2,341,580
CORP Detention	97,432
CORP Dispatchers	5,599
CORP AOC	271,296

During fiscal year 2021, the County paid for PSPRS and CORP pension contributions as follows: 84.8 percent from the General Fund, 4.7 percent from the Jail District Operations Fund, and 10.5 percent from other funds.

Pension liability (asset)—At June 30, 2021, the County reported the following net pension liabilities (asset):

	Net pension liability (asset)
PSPRS Sheriff	$4,530,321
CORP Detention	289,865
CORP Dispatchers	(49,689)
CORP AOC (County's proportionate share)	3,301,842

The net pension liabilities (asset) were measured as of June 30, 2020, and the total liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date.

Pension actuarial assumptions—The following significant actuarial assumptions were used to measure the total pension liability:

PSPRS and CORP—Pension	
Actuarial valuation date	June 30, 2020
Actuarial cost method	Entry age normal
Investment rate of return	7.3%
Wage inflation	3.5%
Price inflation	2.5%
Cost-of-living adjustment	1.75%
Mortality rates	PubS-2010 tables

Actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

The long-term expected rate of return on PSPRS and CORP pension plan investments was determined to be 7.3 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

PSPRS and CORP Asset class	Target allocation	Long-term expected geometric real rate of return
U.S. public equity	23%	4.93%
International public equity	15%	6.09%
Global private equity	18%	8.42%
Other assets (capital appreciation)	7%	5.61%
Core bonds	2%	0.22%
Private credit	22%	5.31%
Diversifying strategies	12%	3.22%
Cash – Mellon	1%	-0.60%
Total	100%	

Pension discount rate—At June 30, 2020, the discount rate used to measure the PSPRS and CORP total pension liabilities was 7.3 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the net pension liability

PSPRS—Sheriff	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a) – (b)
Balances at June 30, 2020	$9,042,406	$5,028,675	$4,013,731
Changes for the year:			
Service cost	163,049		163,049
Interest on the total pension liability	660,023		660,023
Differences between expected and actual experience in the measurement of the pension liability	431,069		431,069
Contributions—employer		604,150	(604,150)
Contributions—employee		70,908	(70,908)
Net investment income		68,041	(68,041)
Benefit payments, including refunds of employee contributions	(328,099)	(328,099)	
Administrative expense		(5,548)	5,548
Net changes	926,042	409,452	516,590
Balances at June 30, 2021	$9,968,448	$5,438,127	$4,530,321

CORP—Detention	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a) – (b)
Balances at June 30, 2020	$2,979,747	$2,256,554	$ 723,193
Changes for the year:			
Service cost	123,684		123,684
Interest on the total pension liability	220,025		220,025
Differences between expected and actual experience in the measurement of the pension liability	(423,551)		(423,551)
Contributions—employer		233,423	(233,423)
Contributions—employee		53,500	(53,500)
Net investment income		69,243	(69,243)
Benefit payments, including refunds of employee contributions	(178,775)	(178,775)	
Administrative expense		(2,680)	2,680
Net changes	(258,617)	174,711	(433,328)
Balances at June 30, 2021	$2,721,130	$2,431,265	$ 289,865

CORP—Dispatchers	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension (asset) (a) – (b)
Balances at June 30, 2020 adjusted	$ 696,895	$ 666,410	$ 30,485
Changes for the year:			
Service cost	16,975		16,975
Interest on the total pension liability	47,947		47,947
Differences between expected and actual experience in the measurement of the pension liability	(114,608)		(114,608)
Contributions—employer		6,615	(6,615)
Contributions—employee		7,164	(7,164)
Net investment income		17,382	(17,382)
Benefit payments, including refunds of employee contributions	(114,126)	(114,126)	
Administrative expense		(673)	673
Net changes	(163,812)	(83,638)	(80,174)
Balances at June 30, 2021	$ 533,083	$ 582,772	$ (49,689)

The County's proportion of the CORP AOC net pension liability was based on the County's actual contributions to the plan relative to the total of all participating counties' actual contributions for the year ended June 30, 2020. The County's proportion measured as of June 30, 2020, was 0.6912 percent, which was a decrease of 0.0201 from its proportion measured as of June 30, 2019.

Sensitivity of the County's net pension liability (asset) to changes in the discount rate—The following table presents the County's net pension liabilities (assets) calculated using the discount rate of 7.3 percent, as well as what the County's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate:

	1% decrease (6.3%)	Current discount rate (7.3%)	1% increase (8.3%)
PSPRS Sheriff			
Net pension liability	$5,949,525	$4,530,321	$3,391,042
CORP Detention			
Net pension liability/(asset)	$ 666,773	$ 289,865	$ (14,931)
CORP Dispatchers			
Net pension liability/(asset)	$ 36,200	$ (49,689)	$ (119,632)
CORP AOC			
County's proportionate share of the net pension liability	$4,194,401	$3,301,842	$2,572,733

Pension plan fiduciary net position—Detailed information about the pension plans' fiduciary net position is available in the separately issued PSPRS and CORP financial reports.

Pension expense—For the year ended June 30, 2021, the County recognized the following pension expense:

	Pension expense
PSPRS Sheriff	$695,844
CORP Detention	(90,837)
CORP Dispatchers	(5,946)
CORP AOC (County's proportionate share)	60,252

Pension deferred outflows/inflows of resources—At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS—Sheriff	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 337,534	$13,674
Changes of assumptions or other inputs	137,387	
Net difference between projected and actual earnings on pension plan investments	277,155	
County contributions subsequent to the measurement date	2,341,580	
Total	$3,093,656	$13,674

CORP—Detention	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience		$373,246
Changes of assumptions or other inputs	$ 50,831	
Net difference between projected and actual earnings on pension plan investments	90,866	
County contributions subsequent to the measurement date	97,432	
Total	$239,129	$373,246

CORP—Dispatchers	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$21,423	$ 99,978
Changes of assumptions or other inputs	10,940	1,947
Net difference between projected and actual earnings on pension plan investments	25,733	
County contributions subsequent to the measurement date	5,599	
Total	$63,695	$101,925

CORP—AOC	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$343,908	$ 39,275
Changes of assumptions or other inputs	106,184	
Net difference between projected and actual earnings on pension plan investments	143,136	
Changes in proportion and differences between County contributions and proportionate share of contributions		988,353
County contributions subsequent to the measurement date	271,296	
Total	$864,524	$1,027,628

The amounts reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	PSPRS Sheriff	CORP Detention	CORP Dispatchers	CORP AOC
Year ending June 30				
2022	$227,677	$(141,789)	$ (25,843)	$(208,314)
2023	229,173	(124,627)	(12,946)	(176,825)
2024	219,249	15,000	(10,556)	(110,939)
2025	62,303	19,867	5,516	61,678

PSPDCRP plan—County sheriff employees, County detention officers, and AOC probation, surveillance, and juvenile detention officers who are not members of PSPRS or CORP participate in the PSPDCRP. The PSPDCRP is a defined contribution pension plan. The PSPRS Board of Trustees governs the PSPDCRP according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.1. Benefit terms, including contribution requirements, are established by State statute.

For the year ended June 30, 2021, active PSPDCRP members were required by statute to contribute at least 9 percent (County sheriff employees) or 5 percent (County detention officers and AOC probation, surveillance, and juvenile detention officers) of the members' annual covered payroll, and the County was required by statute to contribute 9 percent or 5 percent, respectively, of active members' annual covered payroll to an individual employee account. Employees are immediately vested in their own contributions and the earnings on those contributions. Employees vest in a portion of the County's contributions each year as set forth in statute. The plan retains nonvested County contributions when forfeited because of employment terminations. For the year ended June 30, 2021, the County recognized negative pension expense of $40,814.

C. Elected Officials Retirement Plan

Plan description—Elected officials and judges participate in the Elected Officials Retirement Plan (EORP), ASRS, or the Elected Officials Defined Contribution Retirement System (EODCRS). EORP administers a cost-sharing multiple-employer defined benefit pension plan for elected officials and judges who were members of the plan on December 31, 2013. This plan was closed to new members as of January 1, 2014. The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the EORP plans. The report is available on the PSPRS's website at www.psprs.com.

Benefits provided—The EORP provides retirement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average yearly compensation, and service credit as follows:

EORP	**Initial membership date:**	
	Before January 1, 2012	**On or after January 1, 2012**
Retirement and disability		
Years of service and age required to receive benefit	20 years, any age 10 years, age 62 5 years, age 65 5 years, any age* any years and age if disabled	10 years, age 62 5 years, age 65 any years and age if disabled
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent		
Normal retirement	4% per year of service, not to exceed 80%	3% per year of service, not to exceed 75%
Disability Retirement	80% with 10 or more years of service 40% with 5 to 10 years of service 20% with less than 5 years of service	75% with 10 or more years of service 37.5% with 5 to 10 years of service 18.75% with less than 5 years of service
Survivor benefit		
Retired members	75% of retired member's benefit	50% of retired member's benefit
Active members and other inactive members	75% of disability retirement benefit	50% of disability retirement benefit

* With reduced benefits of 0.25% for each month early retirement precedes the member's normal retirement age, with a maximum reduction of 30%.

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan.

Contributions—State statues establish active member and employer contribution requirements. Statute also appropriates $5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability and designates a portion of certain court fees for the EORP. For the year ended June 30, 2021, statute required active EORP members to contribute 7 or 13 percent of the members' annual covered payroll and the County to contribute at the actuarially determined rate of 61.43 percent of all active EORP members' annual covered payroll. Also, statute required the County to contribute 49.39 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 55.43 percent to EORP of the annual covered payroll of elected officials and judges who were EODCRS members, in addition to the County's required contributions to ASRS and EODCRS for these elected officials and judges. The County's contributions to the pension plan for the year ended June 30, 2021, were $524,756.

During fiscal year 2021, the County paid for EORP pension contributions as follows: 98.9 percent from the General Fund and 1.1 percent from the Jail District Operations Fund.

Pension liability—At June 30, 2021, the County reported a liability for its proportionate share of the EORP's net pension liability that reflected a reduction for the County's proportionate share of the State's appropriation for EORP. The amount the County recognized as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the County were as follows:

County's proportionate share of the EORP net pension liability	$7,606,467
State's proportionate share of the EORP net pension liability associated with the County	722,934
Total	$8,329,401

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The County's proportion of the net pension liability was based on the County's required contributions to the plan relative to the total of all participating employers' required contributions for the year ended June 30, 2020. The County's proportion measured as of June 30, 2020, was 1.12695 percent, which was an increase of 0.00596 from its proportion measured as of June 30, 2019.

Pension expense—For the year ended June 30, 2021, the County recognized negative pension expense for EORP of $743,962 and revenue of $198,891 for the County's proportionate share of the State's appropriation to EORP and the designated court fees.

Deferred outflows/inflows of resources—At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

EORP	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience		$6,243
Net difference between projected and actual earnings on pension plan investments	$146,583	
Changes in proportion and differences between County contributions and proportionate share of contributions	19,685	
County contributions subsequent to the measurement date	524,756	
Total	$691,024	$6,243

The $524,756 reported as deferred outflows of resources related to EORP pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized in pension expense as follows:

Year ending June 30	
2022	$33,519
2023	47,243
2024	46,220
2025	33,043

Actuarial assumptions—The significant actuarial assumptions used to measure the total pension liability are as follows:

EORP pension	
Actuarial valuation date	June 30, 2020
Actuarial cost method	Entry age normal
Investment rate of return	7.3%
Wage inflation	3.75%
Price inflation	2.5%
Cost-of-living adjustment	1.75%
Mortality rates	PubG-2010 tables

Actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

The long-term expected rate of return on EORP pension plan investments was determined to be 7.3 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

EORP **Asset class**	**Target allocation**	**Long-term expected geometric real rate of return**
U.S. public equity	23%	4.93%
International public equity	15%	6.09%
Global private equity	18%	8.42%
Other assets (capital appreciation)	7%	5.61%
Core bonds	2%	0.22%
Private credit	22%	5.31%
Diversifying strategies	12%	3.22%
Cash – Mellon	1%	-0.60%
Total	100%	

Discount rate—At June 30, 2020, the discount rate used to measure the EORP total pension liability was 7.3 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the actuarially determined rates, and State contributions will be made as currently required by statute. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the EORP net pension liability to changes in the discount rate—The following table presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.3 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate:

EORP	1% decrease (6.3%)	Current discount rate (7.3%)	1% increase (8.3%)
County's proportionate share of the net pension liability	$8,677,396	$7,606,467	$6,690,792

Pension plan fiduciary net position—Detailed information about the pension plan's fiduciary net position is available in the separately issued EORP financial report.

EODCRS plan—Elected officials and judges who are not members of EORP or ASRS participate in the EODCRS. The EODCRS is a defined contribution pension plan. The PSPRS Board of Trustees governs the EODCRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 3.1. Benefit terms, including contribution requirements, are established by State statute.

For the year ended June 30, 2021, active EODCRS members were required by statute to contribute 8 percent of the members' annual covered payroll, and the County was required by statute to contribute 6 percent of active members' annual covered payroll to an individual employee account. Employees are immediately vested in their own contributions and the County's contributions to the individual employee account and the earnings on those contributions. For the year ended June 30, 2021, the County recognized pension expense of $8,904.

Note 11 – Interfund activity

Interfund transfers—Interfund transfers for the year ended June 30, 2021, were as follows:

	Transfer to			
Transfer from	General Fund	Jail District Operations Fund	Other governmental funds	Total
General Fund		$3,382,211	$ 57,938	$3,440,149
Highway Road Fund			210,282	210,282
Other governmental funds	$91,822		15,492	107,314
Total	$91,822	$3,382,211	$283,712	$3,757,745

Transfers are used to move revenues from the funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them. $3,082,211, which represents the majority of the $3,440,149 transfers from the General Fund was to fund statutorily required maintenance of effort payments to the Jail District operations fund.

Other required supplementary information

Graham County

Required supplementary information
Budgetary comparison schedule
General Fund
Year ended June 30, 2021

	Budgeted amounts Original	Budgeted amounts Final	Actual amounts	Variance with final budget
Revenues:				
Property taxes	$ 6,306,000	$ 6,306,000	$ 6,423,770	$ 117,770
County sales taxes	1,935,000	1,935,000	2,619,059	684,059
Licenses and permits	61,000	61,000	106,955	45,955
Intergovernmental	10,603,836	10,603,836	13,108,347	2,504,511
Charges for services	1,466,354	1,466,354	1,478,219	11,865
Fines and forfeits	188,000	188,000	245,262	57,262
Investment earnings	20,000	20,000	33,019	13,019
Rents	17,500	17,500	26,626	9,126
Miscellaneous	34,750	34,750	30,666	(4,084)
Donations	195,000	195,000		(195,000)
Total revenues	20,827,440	20,827,440	24,071,923	3,244,483
Expenditures:				
Current				
General government				
Board of supervisors	814,684	814,684	693,889	120,795
Treasurer	586,177	524,927	333,349	191,578
Assessor	684,549	684,549	593,429	91,120
Recorder	304,292	304,292	263,906	40,386
Elections	176,950	176,950	119,190	57,760
Attorney	1,060,566	1,060,566	810,337	250,229
Human resources	108,160	108,160	94,339	13,821
Clerk of the court	574,974	574,974	488,635	86,339
Superior court	892,282	892,282	775,903	116,379
Justice of the peace No.1	426,990	426,990	365,899	61,091
Justice of the peace No.2	260,396	269,896	243,200	26,696
Victim witness	8,496	8,496	6,421	2,075
Public fiduciary	125,940	125,940	108,200	17,740
Planning and zoning	286,791	298,791	261,444	37,347
Building maintenance	266,778	266,778	222,928	43,850
Electrical maintenance	12,493	12,493	5,549	6,944
General services	221,000	221,000	142,309	78,691
Contingency	6,706,988	4,578,075		4,578,075
Miscellaneous	393,692	405,292	301,666	103,626
Medical examiner	90,600	90,600	80,673	9,927
Information technology	1,545,693	1,552,216	1,080,355	471,861
Total general government	15,548,491	13,397,951	6,991,621	6,406,330

(Continued)

See accompanying notes to budgetary comparison schedules.

Graham County
Required supplementary information
Budgetary comparison schedule
General Fund
Year ended June 30, 2021
(Continued)

	Budgeted amounts Original	Budgeted amounts Final	Actual amounts	Variance with final budget
Public safety				
Probation	$ 229,303	$ 229,303	$ 216,920	$ 12,383
Sheriff	3,574,074	5,574,074	5,186,039	388,035
Search and rescue	18,489	18,489	12,941	5,548
Juvenile detention center	555,152	555,152	426,924	128,228
Animal shelter	224,838	224,838	212,925	11,913
Total public safety	4,601,856	6,601,856	6,055,749	546,107
Sanitation				
Sanitary landfill	101,901	101,901	87,957	13,944
Health				
Health services	162,422	162,422	133,960	28,462
Welfare				
Attorney for the indigent	526,000	526,000	521,185	4,815
Indigent medical	2,383,000	2,383,000	2,367,662	15,338
Total welfare	2,909,000	2,909,000	2,888,847	20,153
Cultural and recreation				
Parks and recreation	429,412	429,412	433,371	(3,959)
Education				
School superintendent	250,638	255,638	248,746	6,892
Capital outlay	164,000	309,540	230,365	79,175
Total expenditures	24,167,720	24,167,720	17,070,616	7,097,106
Excess (deficiency) of revenues over expenditures	(3,340,280)	(3,340,280)	7,001,307	10,341,587

(Continued)

See accompanying notes to budgetary comparison schedules.

Graham County

Required supplementary information
Budgetary comparison schedule
General Fund
Year ended June 30, 2021
(Continued)

	Budgeted amounts		Actual	Variance with
	Original	Final	amounts	final budget
Other financing sources (uses):				
Proceeds from sale of capital assets			$ 1,054	$ (1,054)
Transfers in	$ 929,009	$ 929,009	91,822	837,187
Transfers out	(3,205,256)	(3,205,256)	(3,440,149)	234,893
Total other financing uses	(2,276,247)	(2,276,247)	(3,347,273)	(1,071,026)
Net change in fund balances	(5,616,527)	(5,616,527)	3,654,034	9,270,561
Fund balances, July 1, 2020	5,616,527	5,616,527	7,073,672	1,457,145
Fund balances, June 30, 2021	$ -	$ -	$ 10,727,706	$ 10,727,706

See accompanying notes to budgetary comparison schedules.

Graham County
Required supplementary information
Budgetary comparison schedule
Highway Road Fund
Year ended June 30, 2021

	Budgeted amounts		Actual	Variance with
	Original	Final	amounts	final budget
Revenues:				
Intergovernmental	$ 3,585,513	$ 3,585,513	$ 4,811,514	$ 1,226,001
Charges for services	113,000	113,000	202,243	89,243
Investment earnings	90,000	90,000	15,735	(74,265)
Miscellaneous	173,000	173,000	271,640	98,640
Total revenues	3,961,513	3,961,513	5,301,132	1,339,619
Expenditures:				
Current:				
Highways and streets				
General road	7,237,045	7,237,045	3,764,115	3,472,930
Engineering	498,795	498,795	292,193	206,602
Total highways and streets	7,735,840	7,735,840	4,056,308	3,679,532
Capital outlay	1,027,266	1,112,266	618,401	493,865
Total expenditures	8,763,106	8,848,106	4,674,709	4,173,397
Excess (deficiency) of revenues over expenditures	(4,801,593)	(4,886,593)	626,423	5,513,016
Other financing sources (uses):				
Proceeds from sale of capital assets			3,149	3,149
Transfers out	(450,345)	(450,345)	(210,282)	240,063
Total other financing uses	(450,345)	(450,345)	(207,133)	243,212
Net change in fund balances	(5,251,938)	(5,336,938)	419,290	5,756,228
Fund balances, July 1, 2020	5,251,938	5,336,938	5,857,023	520,085
Changes in nonspendable resources:				
Decrease in inventories			53,800	53,800
Fund balances, June 30, 2021	$ -	$ -	$ 6,330,113	$ 6,330,113

See accompanying notes to budgetary comparison schedules.

Graham County
Required supplementary information
Budgetary comparison schedule
Jail District Operations Fund
Year ended June 30, 2021

	Budgeted amounts		Actual	Variance with
	Original	Final	amounts	final budget
Revenues:				
Intergovernmental	$ 1,204,390	$ 1,204,390	$ 468,981	$ (735,409)
Charges for services	59,000	59,000	80,447	21,447
Investment earnings	2,000	2,000	(94)	(2,094)
Miscellaneous	5,000	5,000	5,884	884
Donations	350,000	350,000		(350,000)
Total revenues	1,620,390	1,620,390	555,218	(1,065,172)
Expenditures:				
Current:				
Public safety	3,828,667	3,803,667	3,813,392	(9,725)
Capital outlay	534,000	559,000	496,512	62,488
Total expenditures	4,362,667	4,362,667	4,309,904	52,763
Excess (deficiency) of revenues over expenditures	(2,742,277)	(2,742,277)	(3,754,686)	(1,012,409)
Other financing sources (uses):				
Capital lease agreement			306,452	306,452
Proceeds from sale of capital assets			1,809	1,809
Transfers in	3,082,211	3,082,211	3,382,211	300,000
Transfers out	(251,116)	(251,116)		251,116
Total other financing sources	2,831,095	2,831,095	3,690,472	859,377
Net change in fund balances	88,818	88,818	(64,214)	(153,032)
Fund balances, July 1, 2020	(88,818)	(88,818)	91,169	179,987
Fund balances, June 30, 2021	$ -	$ -	$ 26,955	$ 26,955

See accompanying notes to budgetary comparison schedules.

Graham County
Required supplementary information
Notes to budgetary comparison schedules
June 30, 2021

Note 1 – Budgeting and budgetary control

A.R.S. requires the County to prepare and adopt a balanced budget annually for each governmental fund. The Board of Supervisors must approve such operating budgets on or before the third Monday in July to allow sufficient time for the legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August. A.R.S. prohibits expenditures or liabilities in excess of the amounts budgeted.

Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the Board of Supervisors' approval. With the exception of the General Fund, each fund includes only one department.

Note 2 – Expenditures in excess of appropriations

For the year ended June 30, 2021, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

Department/Fund	Excess
Parks and recreation	$3,959

The excess in the Parks and recreation department was a direct result of the non-cash amortization of a prepaid item (water rights) for the year which was not considered during the budget process.

Graham County

Required supplementary information
Schedule of the County's proportionate share of the net pension liability
Cost-sharing pension plans
June 30, 2021

Arizona State Retirement System

	Reporting fiscal year (Measurement date)						
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
County's proportion of the net pension liability	0.063900%	0.064730%	0.067400%	0.069800%	0.073220%	0.074090%	0.071692%
County's proportionate share of the net pension liability	$11,068,181	$9,418,968	$ 9,399,928	$10,873,479	$11,818,443	$11,540,653	$10,607,990
County's covered payroll	$ 6,974,466	$6,829,380	$ 6,707,392	$ 7,074,003	$ 6,869,957	$ 6,847,161	$ 6,476,618
County's proportionate share of the net pension liability as a percentage of its covered payroll	158.70%	137.92%	140.14%	153.71%	172.03%	168.55%	163.79%
Plan fiduciary net position as a percentage of the total pension liability	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%

Corrections Officer Retirement Plan—Administrative Office of the Courts

	Reporting fiscal year (Measurement date)						
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
County's proportion of the net pension liability	0.691244%	0.711276%	1.090015%	1.173175%	1.203620%	1.321665%	1.232231%
County's proportionate share of the net pension liability	$ 3,301,842	$3,001,162	$ 3,923,763	$ 4,707,005	$ 3,396,055	$ 3,213,105	$ 2,765,040
County's covered payroll	$ 830,745	$ 878,776	$ 1,272,621	$ 1,376,650	$ 1,391,108	$ 1,394,172	$ 1,372,002
County's proportionate share of the net pension liability as a percentage of its covered payroll	397.46%	341.52%	308.32%	341.92%	244.13%	230.47%	201.53%
Plan fiduciary net position as a percentage of the total pension liability	50.07%	51.99%	53.72%	49.21%	54.81%	57.89%	58.59%

Elected Officials Retirement Plan

	Reporting fiscal year (Measurement date)						
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
County's proportion of the net pension liability	1.126947%	1.120994%	1.499906%	1.03997%	1.0560888%	0.9676842%	0.9420437%
County's proportionate share of the net pension liability	$ 7,606,467	$7,434,177	$ 9,451,475	$12,672,683	$ 9,977,428	$ 7,561,981	$ 6,317,081
State's proportionate share of the net pension liability associated with the County	$ 722,934	$ 698,736	$ 1,619,449	$ 2,630,160	$ 2,060,080	$ 2,357,511	$ 1,935,486
Total	$ 8,329,401	$8,132,913	$11,070,924	$15,302,843	$12,037,508	$ 9,919,492	$ 8,252,567
County's covered payroll	$ 873,092	$ 876,826	$ 878,739	$ 871,498	$ 861,210	$ 866,869	$ 865,822
County's proportionate share of the net pension liability as a percentage of its covered payroll	871.21%	847.85%	1075.57%	1454.13%	1158.54%	872.33%	729.61%
Plan fiduciary net position as a percentage of the total pension liability	29.80%	30.14%	30.36%	19.66%	23.42%	28.32%	31.91%

2012 through 2014 - Information not available

Graham County
Required supplementary information
Schedule of changes in the County's net pension liability (asset) and related ratios
Agent pension plans
June 30, 2021

PSPRS

	Reporting fiscal year (Measurement date)						
	2021 (2020)	**2020 (2019)**	**2019 (2018)**	**2018 (2017)**	**2017 (2016)**	**2016 (2015)**	**2015 (2014)**
Total pension liability							
Service cost	$ 163,049	$ 214,770	$ 216,213	$ 224,725	$ 161,447	$ 160,546	$ 192,299
Interest on the total pension liability	660,023	627,960	594,532	554,223	486,999	459,771	407,274
Changes of benefit terms				110,368	262,914		108,018
Differences between expected and actual experience in the measurement of pension liability	431,069	(20,846)	33,814	(6,699)	212,998	(29,096)	(396,687)
Changes of assumptions or other inputs		172,001		196,027	285,576		606,963
Benefit payments, including refunds of employee contributions	(328,099)	(445,313)	(553,668)	(305,962)	(205,520)	(284,120)	(182,340)
Net changes in total pension liability	926,042	548,572	290,891	772,682	1,204,414	307,101	735,527
Total pension liability—beginning	9,042,406	8,493,834	8,202,943	7,430,261	6,225,847	5,918,746	5,183,219
Total pension liability—ending (a)	$ 9,968,448	$ 9,042,406	$ 8,493,834	$ 8,202,943	$ 7,430,261	$ 6,225,847	$ 5,918,746
Plan fiduciary net position							
Contributions—employer	$ 604,150	$ 323,440	$ 383,852	$ 387,287	$ 350,828	$ 193,270	$ 195,845
Contributions—employee	70,908	83,079	96,079	114,060	120,677	101,878	98,297
Net investment income	68,041	265,479	312,773	471,427	21,393	125,056	414,968
Benefit payments, including refunds of employee contributions	(328,099)	(445,313)	(553,668)	(305,962)	(205,520)	(284,120)	(182,340)
Administrative expense	(5,548)	(5,611)	(5,460)	(4,571)	(3,478)	(3,429)	(3,342)
Other changes			2,840	44,995	43,422	(15,746)	(89,584)
Net changes in plan fiduciary net position	409,452	221,074	236,416	707,236	327,322	116,909	433,844
Plan fiduciary net position—beginning	5,028,675	4,807,601	4,573,972	3,866,736	3,539,414	3,422,505	2,988,661
Plan fiduciary net position—ending (b)	$ 5,438,127	$ 5,028,675	$ 4,810,388	$ 4,573,972	$ 3,866,736	$ 3,539,414	$ 3,422,505
County's net pension liability—ending (a) – (b)	$ 4,530,321	$ 4,013,731	$ 3,683,446	$ 3,628,971	$ 3,563,525	$ 2,686,433	$ 2,496,241
Plan fiduciary net position as a percentage of the total pension liability	54.55%	55.61%	56.60%	55.76%	52.04%	56.85%	57.82%
Covered payroll	$ 1,082,791	$ 1,070,552	$ 1,127,941	$ 1,075,201	$ 1,034,588	$ 935,210	$ 1,006,178
County's net pension liability as a percentage of covered payroll	418.39%	374.92%	326.81%	337.52%	344.44%	287.25%	248.09%

2012 through 2014 – Information is not available

Graham County

Required supplementary information
Schedule of changes in the County's net pension liability (asset) and related ratios
Agent pension plans
June 30, 2021

CORP-Detention

	Reporting fiscal year (Measurement date)						
	2021 (2020)	**2020 (2019)**	**2019 (2018)**	**2018 (2017)**	**2017 (2016)**	**2016 (2015)**	**2015 (2014)**
Total pension liability							
Service cost	$ 123,684	$ 172,423	$ 203,644	$ 185,996	$ 167,701	$ 179,080	$ 159,853
Interest on the total pension liability	220,025	212,465	213,815	183,953	186,579	181,379	169,277
Changes of benefit terms			(81,792)	283,832	(39,923)		37,587
Differences between expected and actual experience in the measurement of pension liability	(423,551)	(7,230)	(139,068)	(62,978)	(131,219)	(86,107)	(171,643)
Changes of assumptions or other inputs		52,309		76,221	94,493		196,121
Benefit payments, including refunds of employee contributions	(178,775)	(297,901)	(272,984)	(205,339)	(216,397)	(188,456)	(304,826)
Net changes in total pension liability	(258,617)	132,066	(76,385)	461,685	61,234	85,896	86,369
Total pension liability—beginning	2,979,747	2,847,681	2,924,066	2,462,381	2,401,147	2,315,251	2,228,882
Total pension liability—ending (a)	$ 2,721,130	$ 2,979,747	$ 2,847,681	$ 2,924,066	$ 2,462,381	$ 2,401,147	$ 2,315,251
Plan fiduciary net position							
Contributions—employer	$ 233,423	$ 113,877	$ 120,374	$ 103,251	$ 107,149	$ 74,587	$ 104,148
Contributions—employee	53,500	80,173	111,107	104,932	104,762	122,500	93,360
Net investment income	69,243	117,297	153,706	226,659	11,695	67,673	230,025
Benefit payments, including refunds of employee contributions	(178,775)	(297,901)	(272,984)	(205,339)	(216,397)	(188,456)	(304,826)
Administrative expense	(2,680)	(2,793)	(3,025)	(2,383)	(2,054)	(2,059)	(1,809)
Other changes			(42)	(11)	(1,373)	(33,057)	
Net changes in plan fiduciary net position	174,711	10,653	109,136	227,109	3,782	41,188	120,898
Plan fiduciary net position—beginning	2,256,554	2,245,901	2,136,765	1,909,656	1,905,874	1,864,686	1,743,788
Plan fiduciary net position—ending (b)	$ 2,431,265	$ 2,256,554	$ 2,245,901	$ 2,136,765	$ 1,909,656	$ 1,905,874	$ 1,864,686
County's net pension liability—ending (a) – (b)	$ 289,865	$ 723,193	$ 601,780	$ 787,301	$ 552,725	$ 495,273	$ 450,565
Plan fiduciary net position as a percentage of the total pension liability	89.35%	75.73%	78.87%	73.08%	77.55%	79.37%	80.54%
Covered payroll	$ 1,375,440	$ 1,578,323	$ 1,312,576	$ 1,347,959	$ 1,244,657	$ 1,202,220	$ 1,107,018
County's net pension liability as a percentage of covered payroll	21.07%	45.82%	45.85%	58.41%	44.41%	41.20%	40.70%

2012 through 2014 – Information is not available

Graham County
Required supplementary information
Schedule of changes in the County's net pension liability (asset) and related ratios
Agent pension plans
June 30, 2021

CORP-Dispatchers

	Reporting fiscal year (Measurement date)						
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total pension liability							
Service cost	$ 16,975	$ 22,951	$ 25,228	$ 23,154	$ 22,530	$ 29,562	$ 34,365
Interest on the total pension liability	47,947	46,409	45,702	35,865	34,979	33,166	31,045
Changes of benefit terms			(35,339)	98,268	1,892		
Differences between expected and actual experience in the measurement of pension liability	(114,608)	35,705	(6,865)	(11,358)	(16,635)	(21,537)	(29,030)
Changes of assumptions or other inputs		16,768		(7,195)	4,101		1,695
Benefit payments, including refunds of employee contributions	(114,126)	(58,266)	(751)		(29,158)		(17,295)
Net changes in total pension liability	(168,812)	63,567	27,975	138,734	17,709	41,191	20,780
Total pension liability—beginning	696,895	633,328	605,353	466,619	448,910	407,719	386,939
Total pension liability—ending (a)	$ 533,083	$ 696,895	$ 633,328	$ 605,353	$ 466,619	$ 448,910	$ 407,719
Plan fiduciary net position							
Contributions—employer	$ 6,615	$ 11,455	$ 10,176	$ 9,753	$ 10,904	$ 10,664	$ 14,898
Contributions—employee	7,164	11,355	12,559	12,436	14,206	14,585	16,679
Net investment income	17,382	35,029	44,368	63,027	3,221	18,096	56,641
Benefit payments, including refunds of employee contributions	(114,126)	(58,266)	(751)		(29,158)		(17,295)
Administrative expense	(673)	(1,325)	(1,371)	(951)	(856)	(835)	(444)
Other changes			(12)	(3)	(3)	(380)	
Net changes in plan fiduciary net position	(83,638)	(1,752)	64,969	84,262	(1,686)	42,130	70,479
Plan fiduciary net position—beginning	664,410	669,138	604,169	519,907	521,593	479,463	408,984
Plan fiduciary net position—ending (b)	$ 582,772	$ 667,386	$ 669,138	$ 604,169	$ 519,907	$ 521,593	$ 479,463
County's net pension liability (asset)—ending (a) – (b)	$ (49,689)	$ 29,509	$ (35,810)	$ 1,184	$ (53,288)	$ (72,683)	$ (71,744)
Plan fiduciary net position as a percentage of the total pension liability	109.32%	95.77%	105.65%	99.80%	111.42%	116.19%	117.60%
Covered payroll	$ 90,003	$ 136,542	$ 157,771	$ 162,159	$ 179,580	$ 183,226	$ 209,895
County's net pension liability (asset) as a percentage of covered payroll	(55.21)%	21.61%	(22.70)%	0.73%	(29.67)%	(39.67)%	(34.18)%

2012 through 2014 – Information is not available

Graham County
Required supplementary information
Schedule of County pension contributions
June 30, 2021

Arizona State Retirement System

	Reporting fiscal year							
	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	$ 867,203	$ 796,803	$ 762,285	$ 728,371	$ 760,067	$ 743,113	$ 743,150	$ 691,491
County's contributions in relation to statutorily required contribution	867,203	796,803	762,285	728,371	760,067	743,113	743,150	691,491
County's contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
County's covered payroll	$ 7,463,509	$6,974,466	$6,829,380	$6,707,529	$7,074,003	$6,869,957	$6,847,161	$6,476,618
County's contributions as a percentage of covered payroll	11.62%	11.42%	11.16%	10.86%	10.74%	10.82%	10.85%	10.68%

Corrections Officer Retirement Plan—Administrative Office of the Courts

	Reporting fiscal year							
	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	$ 271,296	$ 251,199	$ 282,147	$ 283,788	$ 273,560	$ 256,909	$ 218,876	$ 191,632
County's contributions in relation to statutorily required contribution	271,296	251,199	282,147	283,788	273,560	256,909	218,876	191,632
County's contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
County's covered payroll	$ 817,801	$ 830,745	$ 878,776	$1,272,621	$1,376,650	$1,391,108	$1,394,172	$1,372,002
County's contributions as a percentage of covered payroll	33.17%	30.24%	32.11%	22.30%	19.87%	18.47%	15.70%	13.97%

Elected Officials Retirement Plan

	Reporting fiscal year							
	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	$ 524,756	$ 513,957	$ 512,858	$ 202,056	$ 200,420	$ 199,399	$ 203,451	$ 200,725
County's contributions in relation to statutorily required contribution	524,756	513,957	388,433	41,337	200,420	199,399	203,451	200,725
County's contribution deficiency (excess)	$ -	$ -	$ 124,425	$ 160,719	$ -	$ -	$ -	$ -
County's covered payroll	$ 915,605	$ 873,092	$ 876,826	$ 878,739	$ 871,498	$ 861,210	$ 866,869	$ 865,822
County's contributions as a percentage of covered payroll	57.31%	58.87%	44.30%	4.70%	23.00%	23.15%	23.47%	23.18%

2012 through 2013 – Information is not available

Graham County
Required supplementary information
Schedule of County pension contributions
June 30, 2021

PSPRS

	Reporting fiscal year							
	2021	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Actuarially determined contribution	$ 341,580	$ 276,303	$ 315,334	$ 384,786	$ 344,554	$ 302,705	$ 193,270	$ 195,845
County's contributions in relation to actuarially determined contribution	2,341,580	576,303	615,334	384,786	399,787	348,370	193,270	195,845
County's contribution deficiency (excess)	$(2,000,000)	$ (300,000)	$ (300,000)	$ -	$ (55,233)	$ (45,665)	$ -	$ -
County's covered payroll	$ 1,207,114	$1,082,791	$1,070,552	$1,127,941	$1,075,201	$1,034,588	$ 935,210	$1,006,178
County's contributions as a percentage of covered payroll	193.99%	53.22%	57.48%	34.11%	37.18%	33.67%	20.67%	19.46%

CORP—Detention

	Reporting fiscal year							
	2021	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Actuarially determined contribution	$ 97,432	$ 98,289	$ 130,118	$ 111,044	$ 107,785	$ 101,224	$ 74,587	$ 104,148
County's contributions in relation to actuarially determined contribution	97,432	148,289	280,118	111,044	107,785	101,224	74,587	104,148
County's contribution deficiency (excess)	$ -	$ (50,000)	$ (150,000)	$ -	$ -	$ -	$ -	$ -
County's covered payroll	$ 1,402,614	$1,375,440	$1,578,323	$1,312,576	$1,347,959	$1,244,657	$1,202,220	$1,107,018
County's contributions as a percentage of covered payroll	6.95%	10.78%	17.75%	8.46%	8.00%	8.13%	6.20%	9.41%

CORP—Dispatchers

	Reporting fiscal year							
	2021	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Actuarially determined contribution	$ 5,599	$ 6,615	$ 10,964	$ 10,176	$ 10,127	$ 10,952	$ 10,664	$ 14,898
County's contributions in relation to actuarially determined contribution	5,599	6,615	10,964	10,176	10,127	10,952	10,664	14,898
County's contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
County's covered payroll	$ 92,082	$ 90,003	$ 136,542	$ 157,771	$ 162,159	$ 179,580	$ 183,226	$ 209,895
County's contributions as a percentage of covered payroll	6.08%	7.35%	8.03%	6.45%	6.25%	6.10%	5.82%	7.10%

2012 through 2013 – Information is not available

Note 1 – Actuarially determined contribution rates

Actuarial determined contribution rates for PSPRS and CORP are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent-of-pay, closed
Remaining amortization period as of the 2019 actuarial valuation	27 years for PSPRS and 17 years for CORP
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. in the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%-8.0% to 3.5%-7.5% for PSPRS and from 4.0%-7.25% to 3.5%-6.5% for CORP. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0% for PSPRS and from 4.5%-7.75% to 4.0%-7.25% for CORP. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5% for PSPRS and from 5.0%-8.25% to 4.5%-7.75% for CORP.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS and CORP. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS and CORP. In the 2013 actuarial valuation, wage grown was decreased from 5.0% to 4.5% for PSPRS and CORP.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 – June 30, 2011.
Mortality	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females).

Note 2 – Factors that affect trends

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS, CORP, CORP–AOC, and EORP changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS and EORP also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes increased the PSPRS-, CORP-, and CORP–AOC-required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes increased the PSPRS-, CORP-, and CORP– AOC-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. EORP-required contributions are not based on actuarial valuations, and therefore, these changes did not affect them. Also, the County refunded excess employee contributions to PSPRS and EORP members. EORP allowed the County to reduce its actual employer contributions for the refund amounts. As a result, the County's pension contributions were less than the statutorily required contributions for 2018 and 2019.

The fiscal year 2019 (measurement date 2018) pension liabilities for EORP and CORP reflect the replacement of the permanent benefit increase (PBI) for retirees based on investment returns with a cost of living adjustment based on inflation. Also, the EORP liability and required pension contributions for fiscal year 2019 reflect a statutory change that requires the employer contribution rate to be actuarially determined. This change increased the discount rate used to calculate the liability thereby reducing the total pension liability.

SINGLE AUDIT REPORT

LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of basic financial statements performed in accordance with *Government Auditing Standards*

Members of the Arizona State Legislature

The Board of Supervisors of
Graham County, Arizona

We have audited, in accordance with U.S. generally accepted auditing standards 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, each major fund, and aggregate remaining fund information of Graham County as of and for the year ended June 30, 2021, 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 24, 2022.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic 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.

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 County's basic 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-01 and 2021-02, that we consider to be significant deficiencies.

Compliance and other matters

As part of obtaining reasonable assurance about whether the County's basic financial statements are free from 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 financial statements. 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*.

County response to findings

The County's responses to the findings identified in our audit are presented in its corrective action plan at the end of this report. The County is responsible for preparing a corrective action plan to address each finding. The County's responses and corrective action plan were not subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

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 results of that testing, and not to provide an opinion on the effectiveness of the County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

March 24, 2022

LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent auditors' report on compliance for each major federal program and report on internal control over compliance

Members of the Arizona State Legislature

The Board of Supervisors of
Graham County, Arizona

Report on compliance for each major federal program

We have audited Graham County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' 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 U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 year ended June 30, 2021.

Report on internal control over compliance

The County's management 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 the Uniform Guidance, 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 a 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

March 24, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of auditors' results

Financial statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	**No**
Significant deficiencies identified?	**Yes**
Noncompliance material to the financial statements noted?	No

Federal awards

Internal control over major programs	
Material weaknesses identified?	**No**
Significant deficiencies identified?	**None reported**
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)?	No

Identification of major programs

Assistance Listings number	Name of federal program or cluster
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs	$750,000
Auditee qualified as low-risk auditee?	No

Financial statement findings

2021-01

The County's deficiencies in its process for managing and documenting its risks may put its operations and IT systems and data at unintended and unnecessary risk of potential harm

Condition—The County's process for managing and documenting its risks did not include identifying, classifying, and inventorying sensitive information that might need stronger access and security controls.

Effect—The County's administration and IT management may put the County's operations and IT systems and data at unintended and unnecessary risk.

Cause—The County has not prioritized documenting policies and procedures over the sensitive information it maintains.

Criteria—Establishing a process for managing risk that follows a credible industry source, such as the National Institute of Standards and Technology, helps the County to effectively manage risk related to IT systems and data. The process of managing risks should address the risk of unauthorized access and use, modification, or loss of sensitive information.

Recommendations—The County should:

1. Ask responsible administrative officials and management to design and implement policies around the sensitive information the County maintains and to work with IT management to design and implement procedures for managing the associated risks.
2. Evaluate and manage the risks of holding sensitive information by identifying, classifying, and inventorying the information the County holds to assess where stronger access and security controls may be needed to protect data in accordance with State statutes and federal regulations.

The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

This finding is similar to prior-year finding 2020-01.

2021-02

The County's control procedures over IT systems and data were not sufficient, which increases the risk that the County may not adequately protect those systems and data

Condition—The County's control procedures were not sufficiently developed, documented, and implemented to respond to risks associated with its IT systems and data. The County lacked sufficient procedures over the following:

- **Restricting access—**Procedures did not consistently help prevent or detect unauthorized or inappropriate access to its IT systems and data.

- **Managing system configurations and changes**—Procedures did not ensure configuration settings were securely maintained and all IT system changes were adequately managed.
- **Securing systems and data**—IT security policies and procedures lacked controls to prevent unauthorized or inappropriate access or use, manipulation, damage, or loss.

Effect—There is an increased risk that the County may not adequately protect its IT systems and data, which could result in unauthorized or inappropriate access and/or the loss of confidentiality or integrity of systems and data.

Cause—The County has not prioritized developing, documenting, and implementing its IT policies and procedures.

Criteria—Implementing effective internal controls that follow a credible industry source, such as the National Institute of Standards and Technology, help the County to protect its IT systems and ensure the integrity and accuracy of the data it maintains, as follows:

- **Restrict access through logical access controls**—Help to ensure systems and data are accessed by users who have a need, systems and data access granted is appropriate, and key systems and data access is monitored and reviewed.
- **Manage system configurations and changes through well-defined, documented configuration management process**—Ensures the County's IT system configurations are documented and that changes to the systems are identified, documented, evaluated for security implications, tested, and approved prior to implementation. This helps limit the possibility of an adverse impact on the system's security or operation. Separating responsibilities is an important control for system changes; the same person who has authority to make system changes should not put the change into production. If those responsibilities cannot be separated, a post-implementation review should be performed to ensure the change was implemented as designed and approved.
- **Secure systems and data through IT security internal control policies and procedures**—Help prevent, detect, and respond to instances of unauthorized or inappropriate access or use, manipulation, damage, or loss to its IT systems and data.

Recommendations—The County should:

1. Make it a priority to develop and document comprehensive IT policies and procedures and develop a process to ensure the procedures are being consistently followed.

Restrict access—To restrict access to its IT systems and data, implement processes to:

2. Enhance authentication requirements for IT systems.

Manage system configurations and changes—To configure IT systems securely and manage system changes, develop, document, and implement processes to:

3. Establish and follow a documented change management process.
4. Review proposed changes for appropriateness, justification, and security impact.
5. Document changes, testing procedures and results, change approvals, and post-change review.
6. Develop and document a plan to roll back changes in the event of a negative impact to IT systems.
7. Test changes prior to implementation.

8. Separate responsibilities for the change management process or, if impractical, perform a post-implementation review to ensure the change was implemented as approved.
9. Maintain configurations for all system services, assets, and infrastructure; manage configuration changes; and monitor the system for unauthorized or unintended configuration changes.

Secure systems and data—To secure IT systems and data, develop, document, and implement processes to:

10. Perform proactive key user and system activity logging and log monitoring, particularly for users with administrative access privileges.
11. Prepare and implement a security incident response plan clearly stating how to report and handle such incidents.

The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

This finding is similar to prior-year finding 2020-02.

Federal award findings and questioned costs

None reported.

COUNTY SECTION

GRAHAM COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2020 - 6/30/2021

Federal Awarding Agency/Program Title	Federal CFDA Number	Additional Award Identification (Optional)	Name of Funder Pass-Through Entity	Identifying Number Assigned By Funder Pass-Through Entity	Federal Expenditures	Federal Program Total	Cluster Name	Cluster Total
DEPARTMENT OF AGRICULTURE								
SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN	10.557		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS19-207424	$171,552	$171,552	N/A	$0
SCHOOLS AND ROADS - GRANTS TO STATES	10.665				$426,203	$426,203	FOREST SERVICE SCHOOLS AND ROADS CLUSTER	$426,203
LAW ENFORCEMENT AGREEMENTS	10.704		FOREST SERVICE	18-LE-11030500-004	$5,690	$5,690	N/A	$0
TOTAL DEPARTMENT OF AGRICULTURE					$603,445			
DEPARTMENT OF JUSTICE								
CORONAVIRUS EMERGENCY SUPPLEMENTAL FUNDING PROGRAM	16.034	COVID-19	ARIZONA CRIMINAL JUSTICE COMMISSION	ACESF-21-024	$15,802	$15,802	N/A	$0
CRIME VICTIM ASSISTANCE	16.575		ARIZONA DEPARTMENT OF PUBLIC SAFETY	2018-283 2020-164	$58,702	$58,702	N/A	$0
BULLETPROOF VEST PARTNERSHIP PROGRAM	16.607				$4,968	$4,968	N/A	$0
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16.738		ARIZONA CRIMINAL JUSTICE COMMISSION	DC-21-024 DC-21-005	$21,339	$21,339	N/A	$0
TOTAL DEPARTMENT OF JUSTICE					$100,811			
DEPARTMENT OF TRANSPORTATION								
HIGHWAY PLANNING AND CONSTRUCTION	20.205		ARIZONA DEPARTMENT OF TRANSPORTATION	19-0007589-I 21-0008099-I	$36,525	$36,525	HIGHWAY PLANNING AND CONSTRUCTION CLUSTER	$36,525
STATE AND COMMUNITY HIGHWAY SAFETY	20.600		GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2020-AL-018 2021-AL-015 2020-PTS-025 2021-PTS-028	$7,794	$7,794	HIGHWAY SAFETY CLUSTER	$7,794
TOTAL DEPARTMENT OF TRANSPORTATION					$44,319			
DEPARTMENT OF TREASURY								
CORONAVIRUS RELIEF FUND	21.019	COVID-19	GOVERNOR'S OFFICE	ERMT-20-045	$1,503,403	$1,503,403	N/A	$0
TOTAL DEPARTMENT OF TREASURY					$1,503,403			
DEPARTMENT OF EDUCATION								
RURAL EDUCATION	84.358				$3,676	$3,676	N/A	$0
TOTAL DEPARTMENT OF EDUCATION					$3,676			
ELECTION ASSISTANCE COMMISSION								
2018 HAVA ELECTION SECURITY GRANTS	90.404		ARIZONA SECRETARY OF STATE	AZ18101001 AZ20101001	$73,021	$73,021	N/A	$0
TOTAL ELECTION ASSISTANCE COMMISSION					$73,021			
DEPARTMENT OF HEALTH AND HUMAN SERVICES								
PUBLIC HEALTH EMERGENCY PREPAREDNESS	93.069		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS17-133191	$206,843	$206,843	N/A	$0
IMMUNIZATION COOPERATIVE AGREEMENTS	93.268		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS18-177679	$183,441	$183,441	N/A	$0
PUBLIC HEALTH EMERGENCY RESPONSE: COOPERATIVE AGREEMENT FOR EMERGENCY RESPONSE: PUBLIC HEALTH CRISIS RESPONSE	93.354	COVID-19	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS17-133191	$213,714	$213,714	N/A	$0
FOSTER CARE_TITLE IV-E	93.658		ARIZONA DEPARTMENT OF CHILD SAFETY AND ARIZONA SUPREME COURT, ADMINISTRATIVE OFFICE OF THE COURTS	E4379285	$24,812	$24,812	N/A	$0
PREVENTIVE HEALTH SERVICES_SEXUALLY TRANSMITTED DISEASES CONTROL GRANTS	93.977		ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR040477	$17,703	$17,703	N/A	$0
PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT	93.991		ARIZONA DEPARTMENT OF HEALTH SERVICES	IGA2020-018	$57,151	$57,151	N/A	$0
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	93.994		ARIZONA DEPARTMENT OF HEALTH SERVICES	IGA2020-037	$80,377	$80,377	N/A	$0
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES					$784,041			
DEPARTMENT OF HOMELAND SECURITY								
EMERGENCY MANAGEMENT PERFORMANCE GRANTS	97.042		ARIZONA DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS	EMF-2020-EP-00009	$29,267	$29,267	N/A	$0
HOMELAND SECURITY GRANT PROGRAM	97.067		ARIZONA DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS	190306-01 190413-01 200414-01	$156,777	$156,777	N/A	$0
TOTAL DEPARTMENT OF HOMELAND SECURITY					$186,044			
TOTAL EXPENDITURE OF FEDERAL AWARDS					$3,298,760			

Please Note:
Italicized award lines indicate pass-through funding

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of the schedule.

GRAHAM COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2020 - 6/30/2021

Significant Accounting Policies Used in Preparing the SEFA

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

10% De Minimis Cost Rate

The County did not elect to use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414.

Basis of presentation

The accompanying schedule of expenditures of federal awards (schedule) includes Graham Countys federal grant activity for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

Federal Assistance Listings number

The program titles and Federal Assistance Listings numbers were obtained from the federal or pass-through grantor or the 2021 Federal Assistance Listings.

COUNTY RESPONSE

Graham County Board of Supervisors

921 W. Thatcher Blvd.
Safford, AZ 85546
Phone: (928) 428-3250
Fax: (928) 428-5951

Danny Smith, Chairman
Paul R. David, Vice Chairman
John Howard, Member

Dustin Welker, County Manager/Clerk

March 24, 2022

Lindsey A. Perry
Arizona Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018

Dear Ms. Perry:

We have prepared the accompanying corrective action plan as required by the standards applicable to financial audits contained in Government Auditing Standards and by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Specifically, for each finding, we are providing you with our responsible officials' views, the names of the contact people responsible for corrective action, the corrective action planned, and the anticipated completion date.

Sincerely,

Julie Rodriguez

Julie Rodriguez
Chief Financial Officer

Graham County
Corrective action plan
Year ended June 30, 2021

Financial statement findings

2021-01

The County's deficiencies in its process for managing and documenting its risks may put its operations and IT systems and data at unintended and unnecessary risk of potential harm

McCoy Hawkins, IT Director
Anticipated completion date: June 2023

Response: Concur
Corrective action:
We will perform a County-wide IT risk-assessment to identify, analyze, and respond to risks that may impact our IT resources. Policies and procedures for risk management and categorization of sensitive information are in process, along with various other policies being drafted based on best practices.

2021-02

The County's control procedures over IT systems and data were not sufficient, which increases the risk that the County may not adequately protect those systems and data.

McCoy Hawkins, IT Director
Anticipated completion date: June 2023

Response: Concur
Corrective action:
Dual factor authentication has been implemented for access to all County resources. Migration off old system with restricted authentication capabilities is underway. We are currently drafting information management and related policies and procedures. These policies will include all aspects of information security and change management from justification review to configuring, testing, and post-implementation review based upon current IT standards and best practices. A comprehensive security incident response and contingency plan to ensure business operations can recover from a compromise or disaster is currently being developed.

Graham County Board of Supervisors
921 W. Thatcher Blvd.
Safford, AZ 85546
Phone: (928) 428-3250
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Danny Smith, Chairman
Paul R. David, Vice Chairman
John Howard, Member

Dustin Welker, County Manager/Clerk

March 24, 2022

Lindsey A. Perry
Arizona Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018

Dear Ms. Perry:

We have prepared the accompanying summary schedule of prior audit findings as required by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Specifically, we are reporting the status of audit findings included in the prior audit's schedule of findings and questioned costs. This schedule also includes the status of audit findings reported in the prior audit's summary schedule of prior audit findings that were not corrected.

Sincerely,

Julie Rodriguez

Julie Rodriguez
Chief Financial Officer

Graham County
Summary schedule of prior audit findings
Year ended June 30, 2021

Status of financial statement findings

Managing risk
Finding number: 2020-01. This finding initially occurred in fiscal year 2016.
Status: partially corrected

- Drafted policies and procedures for risk management and categorization of sensitive information are being reviewed in order to perform a County-wide IT risk-assessment to identify, analyze, and respond to risks that may impact our IT resources.
- Various other procedures are also being drafted based on best practices.

Information technology (IT) controls—access, configuration and change management, and security
Finding number: 2020-02. This finding initially occurred in fiscal year 2016.
Status: partially corrected

- Dual-factor authentication has been implemented for access to all County resources.
- Other policies and procedures for information access and management are being drafted. These policies include all aspects of information security and change management from justification review to configuring, testing, and post-implementation review based upon current IT standards and best practices.
- Comprehensive security incident response and contingency plans to ensure business operations can recover from a compromise or disaster are currently being developed.

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Auditor General
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