Graham County

Annual Financial and
Single Audit Reports

Year Ended June 30, 2022

A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General

ARIZONA Auditor General
Making a Positive Difference

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DEPUTY AUDITOR GENERAL

Independent auditors' report

Members of the Arizona State Legislature

The Board of Supervisors of
Graham County, Arizona

Report on the audit of the financial statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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, 2022, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for opinions

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 U.S. Comptroller General. Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the financial statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of matter

As discussed in Note 1 to the financial statements, for the year ended June 30, 2022, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Other matters

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

In connection with our audit of the County's Highway Road Fund, a major fund, we noted that the County spent $81,700 for servicing County-owned vehicles used for public safety and other functions, which did not comply with the authorized transportation purposes for HURF monies it received pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and other dedicated State transportation revenues it received for maintenance and repair costs. We will include this matter in the other reporting required by *Government Auditing Standards* discussed below.

Our audit was not directed primarily toward obtaining knowledge as to whether the County failed to comply with the authorized transportation purposes, insofar as they relate to accounting matters, for these monies. 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.

Management's responsibilities for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the audit's planned scope and timing, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required supplementary information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages a-1 through a-12, budgetary comparison schedules on pages 41 through 46, schedule of the County's proportionate share of the net pension liability—cost-sharing pension plans on page 48, schedule of changes in the County's net pension liability (asset) and related ratios—agent pension plans on pages 49 through 51, and schedule of County pension contributions on pages 52 through 53 be presented to supplement the basic financial statements. Such information is management's responsibility and, 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information 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. The 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 accompanying schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2023, 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 23, 2023

Graham County
Management's discussion and analysis
Year-ended June 30, 2022

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, 2022. We encourage readers to consider the information presented here in conjunction with the basic financial statements.

Financial highlights for fiscal year 2022

- 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 $44,060,625 (net position). Of this amount, $28,469,927 is the net investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure, and construction in progress), less accumulated depreciation and any related outstanding debt used to acquire those assets; $17,962,351 is restricted for specific purposes (restricted net position); and $(2,371,653) is the unrestricted net position deficit balance that is primarily a result of $19,614,358 in net pension liability.
- The increase in the County's net position was $7,627,820 in fiscal year 2022.
- As of the close of the current fiscal year, Graham County's governmental funds reported combined ending fund balances of $36,218,681, an increase of $5,766,089 in comparison with the prior year because revenues were significantly more than the expenditures. The excess of revenues over expenditures resulted in an increase in cash, cash equivalents, and investments held by both the general and jail district operations 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 $14,890,193, or 91.0 percent, of total general fund expenditures.
- Graham County's capital assets decreased by $956,231 during the current fiscal year. The key factor in this decrease was the depreciation expense of $2,843,239 exceeding the capital additions of $1,902,462. The largest capital asset increases were for four road projects: the Fort Thomas crossing, Golf Course Road safety improvements, Cottonwood Wash safety improvements, and Swift Trail Chip Seal which are $812,076 of the $1,229,658 total construction in progress balance. There was also $209,354 in the construction of offices at the three waste transfer sites and remodels of offices at the general services building and bathrooms at the courthouse. Other large capital assets increases were for a $208,266 used dump truck and $36,306 for a truck, both for the highway department; two vehicles for $60,754 in the general fund; and $52,349 in safety barriers, door security and lighting in the courthouse and probation buildings.

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) governmentwide 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, the jail district debt service fund, and the American Rescue Plan Act 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 - 39 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 41 - 55 of this report.

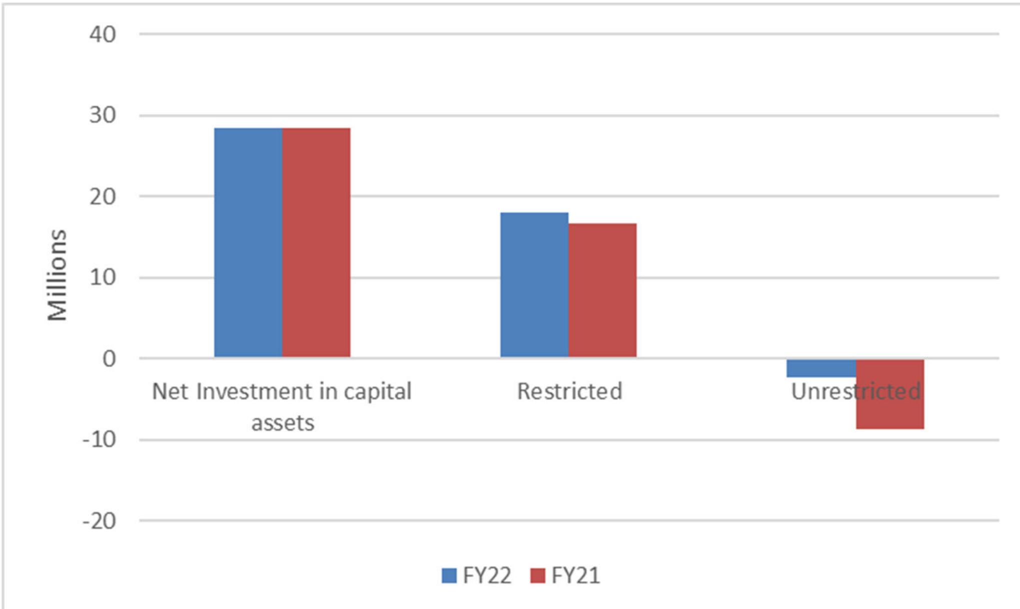
Government-wide financial analysis

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 $44,060,625.

Condensed Statement of Net Position
As of June 30, 2022 and 2021

	Governmental Activities	
	2022	2021
Current and other assets	$40,442,033	$31,437,863
Capital assets	54,378,477	55,334,708
Total assets	94,820,510	86,772,571
Deferred outflows of resources		
Total deferred outflows of resources	5,350,020	7,005,756
Long-term liabilities outstanding	46,896,415	54,999,067
Other liabilities	3,484,851	595,879
Total liabilities	50,381,266	55,594,946
Deferred inflows of resources		
Total deferred inflows of resources	5,728,639	1,750,576
Net position:		
Net investment in capital assets	28,469,927	28,527,465
Restricted	17,962,351	16,670,879
Unrestricted (deficit)	(2,371,653)	(8,765,539)
Total net position	$44,060,625	$36,432,805

Net Position
June 30, 2022 and 2021



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 $(8,765,539) at June 30, 2021, to $(2,371,653) at June 30, 2022, primarily because of a decrease in the net pension liability and changes in cash and investments due to increases in charges for services, county and jail district sales taxes, and state shared revenues.

Current and other assets, related to government activities, increased $9,004,170, or 28.6 percent, as compared to the previous fiscal year. This was primarily because of an increase in cash of $7,832,900, along with increases in investments held by trustee of $455,535 and an increase in the net pension assets of $240,000. The increase in cash was largely influenced by the increase in general fund cash as state shared revenues and sales taxes increased over the previous year and total revenues exceeded total expenses. Capital assets decreased by $956,231 this fiscal year as depreciation of all assets exceeded new assets placed in service.

Deferred outflows of resources decreased $1,655,736, or 23.6 percent, and deferred inflows of resources increased $3,978,063, or 227.2 percent. These changes were due mainly to changes in pension plan assumptions by the various plan actuaries.

Long-term liabilities decreased $8,102,652 with a decrease of $7,182,318 in net pension liability to $19,614,358 for its employees at year-end. Financed purchases decreased $69,758 and total bonds payable decreased $828,935 due to scheduled payments throughout the year. Other liabilities increased $2,888,972, or 484.8 percent, mainly because of an increase in unearned revenues of $2,700,507 for unspent ARPA funds received and accounts payable increased $109,523 based on timing of vendor disbursements.

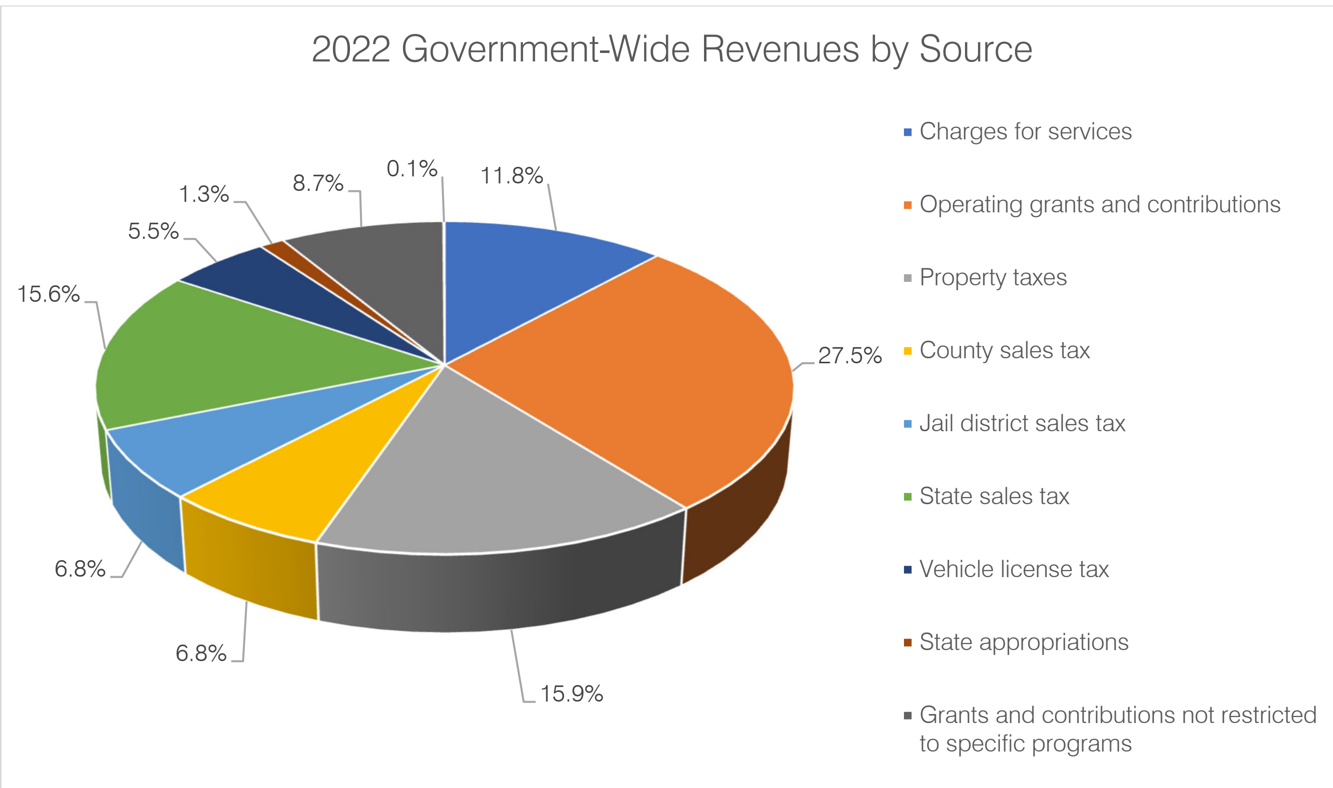
Statement of activities—Already noted was the statement of activities' purpose in presenting information in how the County's net position changed during the most recent fiscal year. Most sources of revenue on the statement of activities increased such as grants and contributions not restricted to specific programs increased $261,983 or 7.9 percent, except for decreases in three items: capital grants and contributions revenues decreased $499,033 or 100 percent, shared revenue for state vehicle license tax decreased $81,907 or 3.5 percent, investment earnings decreased $672,270 or 1,394.4 percent. The net result was an increase in revenue of $945,342 or 2.3 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, 2022 and 2021

	Governmental Activities	
	2022	2021
Revenues		
Program revenues:		
Charges for services	$ 4,896,796	$ 4,661,248
Operating grants and contributions	11,411,071	11,070,777
Capital grants and contributions	-	499,033
General revenues:		
Property taxes, levied for general purposes	6,605,947	6,589,363
County sales taxes, levied for general purposes	2,820,071	2,619,059
Jail District sales taxes, levied for debt service	2,813,966	2,615,246
Shared revenue-state sales taxes	6,476,886	5,558,057
Shared revenue-state vehicle license taxes	2,288,270	2,370,177
State appropriations	550,050	550,050
Grants and contributions not restricted to specific programs	3,588,374	3,326,391
Investment earnings	(624,059)	48,211
Miscellaneous (including gain on disposal of capital assets)	653,770	628,188
Total revenues	41,481,142	40,535,800

Graham County
Management's discussion and analysis
Year-ended June 30, 2022

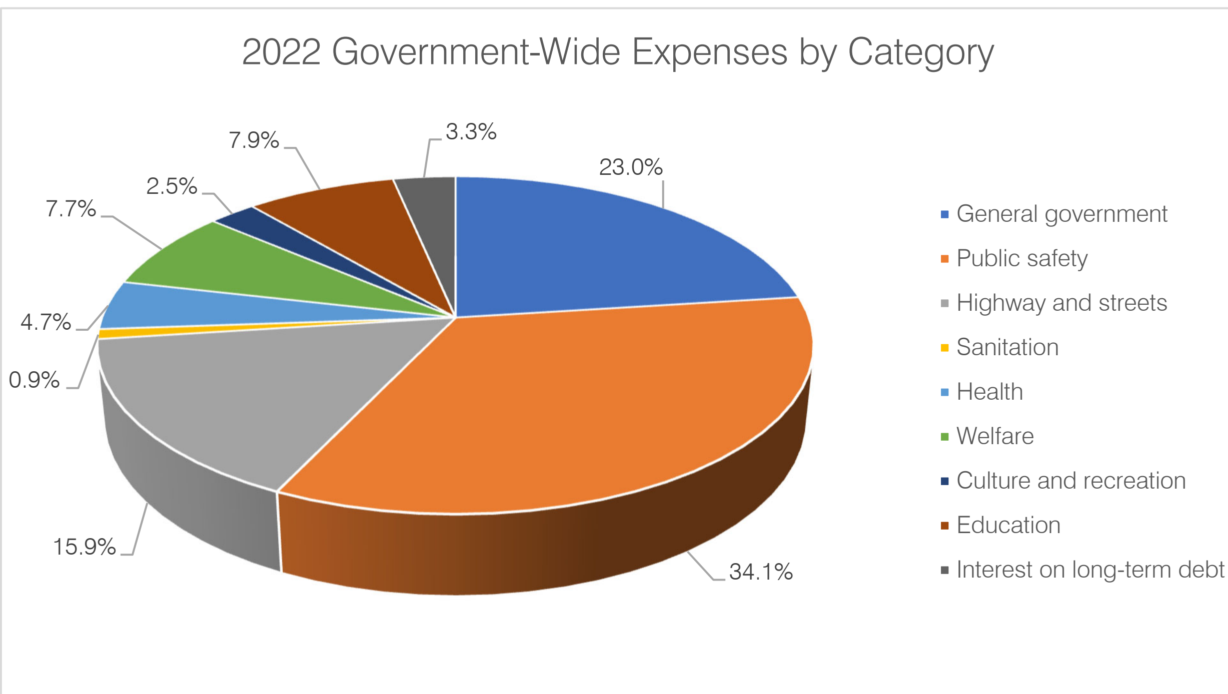
	Governmental Activities	
	2022	2021
Expenses		
General government	$ 7,777,240	$ 7,404,960
Public safety	11,547,697	10,970,970
Highway and streets	5,370,081	5,198,526
Sanitation	319,623	150,140
Health	1,594,425	1,441,209
Welfare	2,593,958	2,888,847
Culture and recreation	855,375	759,126
Education	2,679,179	2,006,147
Interest on long-term debt	1,115,744	1,140,285
Total expenses	33,853,322	31,960,210
Change in net position	7,627,820	8,575,590
Net position-beginning	36,432,805	27,857,215
Net position-ending	$44,060,625	$36,432,805



Revenues:

Governmental activities revenues totaled $41,481,142 for fiscal year 2022. The following are highlights of County revenues:

- Charges for services increased $235,548, or 5.1 percent. The main source of the increase was reimbursements of $287,700 from counties, cities, and towns for housing inmates. There were no revenues for this in fiscal year 2021.
- Capital grants and contributions decreased by $499,033, or 100 percent, due to no capital contributions received during fiscal year 2022.
- 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 $201,012, or 7.7 percent; jail district sales tax increased $198,720, or 7.6 percent; state shared sales tax revenues increased $918,829, or 16.5 percent.
- Capital grants and contributions not restricted to specific programs increased by $261,983, or 7.9 percent, due in large part to a $206,369 increase in the ALTCS (Arizona Long-Term Care System) reimbursement from the State to the general fund for fiscal year 2022.
- Investment earnings decreased by $672,270, or 1,394.4 percent, as interest rates fell dramatically from the prior year.



Expenses:

Overall expenses in governmental activities increased $1,893,112, or 5.9 percent. Spending for welfare and interest on long term debt decreased slightly during the fiscal year while all other functions increased. Most of the increase was within the general government, public safety, sanitation, and education functions.

- General government expenses increased $372,280, or 5.0 percent. The largest contributing factor is the increase in American Rescue Plan Act expenses of $354,852.
- Public safety expenses increased $576,727, or 5.3 percent. The largest contributing factor is the increase in American Rescue Plan Act expenses of $446,515.
- Sanitation expenses increased $169,483, or 112.9 percent. The largest contributing factor was an increase in depreciation expense of $137,906 associated with transfer stations throughout the County.
- Health expenses increased $153,216, or 10.6 percent. The largest contributing factor is the increase in American Rescue Plan Act expenses of $81,175. General Coronavirus related expenses increased $68,482, or 17.6 percent during fiscal year 2022.
- Welfare expenses decreased $294,889, or 10.2 percent due mainly to a decrease in ALTCS (Arizona Long-Term Care System) costs to the County in fiscal year 2022.
- Culture and recreation expenses increased $96,249, or 12.7 percent. There was no County fair held in fiscal year 2021. The fair in fiscal year 2022 increased expenses by $76,119, or 48.3 percent.
- Education expenses increased $673,032, or 33.5 percent. Forest fees of $447,476 were recorded in the Education function in fiscal year 2022 for the forest fees distributed to County schools; in 2021 they were recorded in the Highway and streets function. In addition, expenses for the Dan Hinton Accommodation School increased $104,235, or 6.0 percent. Lastly, pension expense increased $31,955, or 143.8 percent in fiscal year 2022.

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, unassigned 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, 2022, the general fund’s unassigned fund balance was $14,890,193 which was an increase of $4,430,511 from the prior fiscal year. Revenues were more than expenditures by $7,255,458 in the general fund (prior to any other financing sources or uses). Revenues were $453,734 less than the previous fiscal year. The most significant decreases were in investment earnings of $330,753 and intergovernmental revenues of $228,806 and minor decreases in property taxes, charges for services, and fines and forfeits.

The highway road fund receives the County’s share of the highway user 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 decreased $226,104, or 3.6 percent, this fiscal year to $6,104,009. Intergovernmental revenues saw the largest decrease of $259,365, or 5.4 percent. There were also decreases in charges for services, investment earnings and miscellaneous revenues. Highway expenses in total decreased by $317,863 or 6.8 percent, the main contributing factor was a decrease in capital outlay of $271,820, or 44.0 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 2022 this transfer totaled $3,119,235, a $37,024 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 increased $521,609 this fiscal year to end with a balance of $548,564. The largest revenue increase was $287,700 from housing inmates from both Gila and Greenlee counties for the first year. As COVID-19 risks decreased, contracts with both the U.S. Marshals and the Bureau of Indian Affairs to house federal detainees slightly increased intergovernmental revenues. In addition, expenses in the jail district operations fund decreased $805,340, or 18.7 percent. The two main factors for the decrease were $496,512 less in capital outlay and $278,594 less in personnel expenses, due to vacancy savings, for fiscal year 2022.

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 $2,813,966. A principal payment of $790,000 was made toward the outstanding bonds, as well as $1,115,744 in bond interest payments.

The American Rescue Plan Act fund was established during the current year and accounts for the Coronavirus State and Local Fiscal Recovery Funds authorized under the American Recue Plan Act (ARPA) of 2021. The County will receive $7,543,632 with half, $3,771,816, received in fiscal year 2022 and the remainder to be received in fiscal year 2023. During the year, the fund recognized revenues and expenditures in the amount of $1,056,426 to mitigate the fiscal effects stemming from the public health emergency with respect to the Coronavirus Disease (COVID-19). At fiscal year end, the fund reported unearned revenues of $2,700,507 representing the ARPA funding received but not yet spent.

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. Intergovernmental revenues decreased in fiscal year 2021 but increased in fiscal year 2022 by $1,004,182, or 24.1 percent. Total revenues increased by $1,090,148, or 15.1 percent. Other revenue sources that increased in fiscal year 2022 were donations which increased $126,300 and charges for services which increased $97,708. Expenditures increased by $932,782, or 12.3 percent with the largest increase in education expenses related to forest fees. The other governmental fund balance increased by $486,753.

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 $2,813,827, or 13.5. The largest negative variances from the budgeted amounts were for investment earnings resulting in a 950.7 percent variance and donations resulting in a 97.2 percent variance. Rents were $12,753, or 31.9 percent below budget as the County had budgeted for building rentals that were not realized. Fines and forfeits were $47,614, or 22.6 percent below budget as clerk fines, justice court fines and bond forfeitures all came in less than budgeted. Licenses and permits, which were $33,657, or 44.0 percent, above budget due to an increase in planning and zoning permit fees. County sales taxes, which set record highs, were $570,071, or 25.3 percent, above budget due to stronger than forecasted retail sales. Intergovernmental revenues were $2,688,863, or 26.4 percent, above budget which was largely a result of higher state shared revenues, vehicle license taxes and a higher ALTCS reimbursement from the State received in fiscal year 2022. Miscellaneous revenues were over budget by $35,332, or 149.7 percent. Charges for services were stable with $6,488, or 0.4 percent below budget.

The general fund expenditure budget of $27,348,501 was also not amended in total this fiscal year. General fund expenditures were less than the final budget by $10,985,770, or 40.2 percent. Significant favorable expenditure variances, as compared to the budget, were incurred in the general government function of $9,421,982 which included $7,470,088 in unspent contingency. Information technology had a favorable variance of $438,129 compared to budget as some budgeted projects were delayed due to supply issues. The public safety function also had a favorable expenditure variance of $297,515 as compared to the budget. These savings were a result of partial year vacancy savings for the sheriff's office deputies and dispatchers. All general fund departments were under budget except for the school superintendent department which exceeded its budget by $1,888 due to an uncontrollable expense of non-employer contributions from the state for the Elected Officials' Retirement Plan. This expense was unknown at the time the budget was prepared.

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, 2022, amount to $54,378,477 (net of accumulated depreciation). The decrease of $956,231 is due primarily to depreciation expense of $2,843,239 exceeding the total additions of $1,902,462.

Graham County's Capital Assets
(Net of depreciation)

	Governmental Activities	
	2022	2021
Land	$ 3,481,430	$ 3,481,430
Buildings	26,967,626	27,687,359
Machinery and equipment	2,796,362	3,032,876
Infrastructure	20,056,050	20,809,618
Construction in progress	1,077,009	323,425
Total	$54,378,477	$55,334,708

Additional information on Graham County's capital assets can be found in Note 5 on page 19 of this report.

Long-term debt—At the end of the current fiscal year, the County had total long-term liabilities outstanding of $46,896,415, a decrease of $8,102,652 from fiscal year 2021. The largest change was a decrease in net pension liability of $7,182,318. The two largest components of the long-term liabilities includes $24,595,000 in revenue bonds payable and $19,614,358 for net pension liability. Also included in long-term liabilities is $1,299,138 for the future payment of compensated absences for unused employee vacation and sick leave, financed purchases of $612,725, unamortized bond premium of $700,825, and landfill post-closure care costs of $74,369.

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 2022 for the State was 4.0 percent and for Graham County was slightly lower at 3.6 percent (exclusive of the San Carlos Apache Reservation). This is a decrease from 6.3 percent a year ago, as the County appears to have recovered from the impacts of 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, during fiscal year 2022, the County has continued its 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 for the second year in a row, 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 continue to drive up labor costs. The County has made salary adjustments and will continue to analyze human resource issues that may require attention in the upcoming budget cycles.
- The State Legislature is currently in session and there are bills that would increase costs and decrease revenues 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 such as Arizona State Retirement System (ASRS) 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.
- Although the County has significantly recovered from the COVID-19 pandemic, the impacts on global markets and supply chains are still being felt. The County is still feeling the impact of a decreased work force as there remains a number of unfilled positions. 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 2023 fiscal year. The unassigned ending fund balance in the general fund of $14,890,193 was appropriated for spending in the 2022-2023 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 fourth consecutive year after the three prior consecutive years of falling valuations. The County lowered the general fund property tax rate from 2.6043 to 2.2379, which was at the Truth in Taxation Rate for the fiscal year 2023.

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, 2022

	Governmental activities
Assets	
Cash, cash equivalents, and investments	$ 27,826,849
Receivables:	
Property taxes	248,144
Accounts	31,880
Due from other governments	2,960,851
Investments held by trustee—restricted	8,313,815
Inventories	408,853
Prepaid items	361,952
Net pension assets	289,689
Capital assets, not being depreciated	4,558,439
Capital assets, being depreciated, net	49,820,038
Total assets	94,820,510
Deferred outflows of resources	
Deferred outflows related to pensions	5,350,020
Total deferred outflows of resources	5,350,020
Liabilities	
Accounts payable	123,944
Accrued payroll and employee benefits	555,975
Due to other governments	104,425
Unearned revenues	2,700,507
Noncurrent liabilities	
Due within 1 year	1,852,505
Due in more than 1 year	45,043,910
Total liabilities	50,381,266
Deferred inflows of resources	
Deferred inflows related to pensions	5,728,639
Total deferred inflows of resources	5,728,639
Net position	
Net investment in capital assets	28,469,927
Restricted for:	
Highways and streets	6,104,009
Debt service	8,837,510
Other purposes	3,020,832
Unrestricted (deficit)	(2,371,653)
Total net position	$ 44,060,625

See accompanying notes to financial statements.

Graham County
Statement of activities
Year ended June 30, 2022

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	$ 7,777,240	$ 2,064,311	$ 5,394,357		$ (318,572)
Public safety	11,547,697	631,723	345,529		(10,570,445)
Highways and streets	5,370,081	154,909	3,950,209		(1,264,963)
Sanitation	319,623		73,593		(246,030)
Health	1,594,425	85,385	1,318,487		(190,553)
Welfare	2,593,958				(2,593,958)
Culture and recreation	855,375	261,574	230,942		(362,859)
Education	2,679,179	1,698,894	97,954		(882,331)
Interest on long-term debt	1,115,744				(1,115,744)
Total governmental activities	$ 33,853,322	$ 4,896,796	$ 11,411,071	$ -	(17,545,455)

General revenues:	
Taxes:	
Property taxes, levied for general purposes	6,605,947
County sales taxes, levied for general purposes	2,820,071
Jail District sales tax, levied for debt service	2,813,966
Shared revenue—State sales tax	6,476,886
Shared revenue—State vehicle license tax	2,288,270
State appropriations	550,050
Grants and contributions not restricted to specific programs	3,588,374
Investment earnings	(624,059)
Miscellaneous	653,770
Total general revenues	25,173,275
Change in net position	7,627,820
Net position, July 1, 2021	36,432,805
Net position, June 30, 2022	$ 44,060,625

See accompanying notes to financial statements.

Graham County
Balance sheet
Governmental funds
June 30, 2022

	General Fund	Highway Road Fund	Jail District Operations Fund	Jail District Debt Service Fund	American Rescue Plan Act Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Cash, cash equivalents, and investments	$ 13,876,886	$ 5,372,814	$ 508,786		$ 2,651,502	$ 5,416,861	$ 27,826,849
Investments held by trustee				$ 8,313,815			8,313,815
Receivables:							
Property taxes	241,673					6,471	248,144
Accounts						31,880	31,880
Due from other governments	1,455,648	382,333	112,700	523,695		486,475	2,960,851
Inventories		408,853					408,853
Prepaid items	295,933		16,800		49,219		361,952
Total assets	15,870,140	6,164,000	638,286	8,837,510	2,700,721	5,941,687	40,152,344
Liabilities							
Accounts payable	55,842	6,495	6,795		214	54,598	123,944
Accrued payroll and employee benefits	319,570	53,496	82,927			99,982	555,975
Due to other governments	87,498					16,927	104,425
Unearned revenues					2,700,507		2,700,507
Total liabilities	462,910	59,991	89,722		2,700,721	171,507	3,484,851
Deferred inflows of resources							
Unavailable revenue—property taxes	221,104					5,546	226,650
Unavailable revenue—intergovernmental						222,162	222,162
Total deferred inflows of resources	221,104					227,708	448,812
Fund balances							
Nonspendable	295,933	408,853	16,800		49,219		770,805
Restricted		5,695,156	531,764	8,837,510		2,472,268	17,536,698
Committed						634,706	634,706
Assigned						2,435,498	2,435,498
Unassigned	14,890,193				(49,219)		14,840,974
Total fund balances	15,186,126	6,104,009	548,564	8,837,510		5,542,472	36,218,681
Total liabilities, deferred inflows of resources, and fund balances	$ 15,870,140	$ 6,164,000	$ 638,286	$ 8,837,510	$ 2,700,721	$ 5,941,687	$ 40,152,344

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, 2022

Fund balances—total governmental funds		$ 36,218,681
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	$ 98,582,493	
Accumulated depreciation	(44,204,016)	54,378,477
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		448,812
Net pension assets held in trust for future benefits are not available for county operations and, therefore, are not reported in the funds.		289,689
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	(24,595,000)	
Bond premium	(700,825)	
Net pension liability	(19,614,358)	
Compensated absences payable	(1,299,138)	
Financed purchases	(612,725)	
Landfill liability	(74,369)	(46,896,415)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.		(378,619)
Net position of governmental activities		$ 44,060,625

See accompanying notes to financial statements.

Graham County

Statement of revenues, expenditures, and changes in fund balances
Governmental funds
Year ended June 30, 2022

	General Fund	Highway Road Fund	Jail District Operations Fund	Jail District Debt Service Fund	American Rescue Plan Act Fund	Other governmental funds	Total governmental funds
Revenues:							
Property taxes	$ 6,389,462					$ 213,597	$ 6,603,059
County sales taxes	2,820,071			$ 2,813,966			5,634,037
Licenses and permits	110,157						110,157
Intergovernmental	12,879,541	$ 4,552,149	$ 490,029		$ 1,110,751	5,175,960	24,208,430
Charges for services	1,464,327	154,909	328,938			2,486,050	4,434,224
Fines and forfeits	163,386					32,097	195,483
Investment earnings	(297,734)	(112,406)	(11,351)	6,275	(54,325)	(154,518)	(624,059)
Rents	27,247					129,685	156,932
Miscellaneous	58,932	156,599	10,236			149,226	374,993
Donations	2,800					265,414	268,214
Total revenues	23,618,189	4,751,251	817,852	2,820,241	1,056,426	8,297,511	41,361,470
Expenditures:							
Current:							
General government	7,132,384				354,852	673,876	8,161,112
Public safety	5,071,795		3,504,564		446,515	2,480,349	11,503,223
Highways and streets		4,010,265			110,055	242,130	4,362,450
Sanitation	101,252				4,538	73,603	179,393
Health	128,189				81,175	1,382,833	1,592,197
Welfare	2,593,958						2,593,958
Culture and recreation	458,637				48,145	271,985	778,767
Education	275,993				11,146	2,436,726	2,723,865
Debt service:							
Principal				790,000			790,000
Interest and other charges				1,115,744			1,115,744
Capital outlay	600,523	346,581				955,358	1,902,462
Total expenditures	16,362,731	4,356,846	3,504,564	1,905,744	1,056,426	8,516,860	35,703,171
Excess (deficiency) of revenues over expenditures	7,255,458	394,405	(2,686,712)	914,497		(219,349)	5,658,299
Other financing sources (uses):							
Sale of capital assets	647	23,620				1,750	26,017
Transfers in	338,696		3,508,321			768,769	4,615,786
Transfers out	(3,136,381)	(725,902)	(300,000)	(389,086)		(64,417)	(4,615,786)
Total other financing sources (uses)	(2,797,038)	(702,282)	3,208,321	(389,086)		706,102	26,017
Net change in fund balances	4,458,420	(307,877)	521,609	525,411		486,753	5,684,316
Fund balances, July 1, 2021	10,727,706	6,330,113	26,955	8,312,099		5,055,719	30,452,592
Changes in nonspendable resources:							
Increase in inventories		81,773					81,773
Fund balances, June 30, 2022	$ 15,186,126	$ 6,104,009	$ 548,564	$ 8,837,510	$ -	$ 5,542,472	$ 36,218,681

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, 2022

Net change in fund balances—total governmental funds		$ 5,684,316
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	$ 1,902,462	
Less current year depreciation	(2,843,239)	(940,777)
In the statement of activities, only the gain/loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the capital assets sold		(15,454)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	2,888	
Intergovernmental revenues	106,221	109,109
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	2,790,689	
Pension expense	(1,170,674)	
State's nonemployer pension contributions	168,504	1,788,519
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.		
Amortization of bond premium	38,935	
Principal payments on long-term (bond) debt	790,000	
Principal payments on long-term (financed purchases) debt	69,758	898,693
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.		
Decrease in compensated absences	23,965	
Increase in landfill closure and postclosure care costs	(2,324)	21,641
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		81,773
Change in net position of governmental activities		$ 7,627,820

See accompanying notes to financial statements.

Graham County
Statement of fiduciary net position
Fiduciary funds
June 30, 2022

	Private-purpose trust funds	Custodial funds	
		External investment pool	Other
Assets			
Cash, cash equivalents, and investments	$ 131,081	$ 29,369,065	$ 772,977
Property tax receivable for other governments			925,891
Total assets	131,081	29,369,065	1,698,868
Liabilities			
Due to others			60,382
Due to other governments			141,287
Total liabilities			201,669
Net position			
Restricted for:			
Pool participants		29,369,065	
Individuals, organizations, and other governments	131,081		1,497,199
Total net position	$ 131,081	$ 29,369,065	$ 1,497,199

See accompanying notes to financial statements.

Graham County

Statement of changes in fiduciary net position
Fiduciary funds
Year ended June 30, 2022

	Private-purpose trust funds	Custodial funds: External investment pool	Custodial funds: Other
Additions:			
Contributions from pool participants		$ 101,303,048	
Property tax collections for other governments			$ 18,671,454
Investment earnings		(701,404)	89
Inmate collections			213,771
Other	$ 232,216		2,278,452
Total additions	232,216	100,601,644	21,163,766
Deductions:			
Distributions to pool participants		95,243,835	
Property tax distributions to other governments			18,589,586
Payments to inmates			190,855
Other	223,161		2,247,739
Total deductions	223,161	95,243,835	21,028,180
Net increase in fiduciary net position	9,055	5,357,809	135,586
Net position, July 1, 2021	122,026	24,011,256	1,361,613
Net position, June 30, 2022	$ 131,081	$ 29,369,065	$ 1,497,199

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, 2022, the County implemented the provisions of GASB Statement No. 87, *Leases*, as amended, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. As a result, the County's financial statements have been modified to reflect the reclassification of capital leases to financed purchases based on the contract provisions.

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 American Rescue Plan Act Fund accounts for specific federal assistance allocated to the County to support efforts in minimizing the spread of the COVID-19 virus and provide immediate economic relief to the county and its businesses and households due to the public health emergency.

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 lease contracts 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 prepaid multi-year purchases. 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 (or estimated historical cost if historical records are not available). 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. 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 plan. 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.

J. 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.

K. Investment earnings

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

L. 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 370 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 a maximum of 370 hours of 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 – 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 these 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, 2022, the carrying amount of the County's deposits was $2,183,969, and the bank balance was $3,833,130. The County does not have a formal policy with respect to custodial credit risk.

Investments—The County had total investments of $64,201,652 at June 30, 2022. 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)**
Investments by fair value level			
U.S. agency securities	$21,022,672		$21,022,672
Negotiable certificates of deposit	14,369,464	$14,369,464	
Money market funds with trustee	8,313,815	8,313,815	
Total investments categorized by fair value level	$43,705,951	$22,683,279	$21,022,672
Investments measured at the net asset value (NAV)			
School district warrants	$ 478,501		
External investment pools measured at fair value			
State Treasurer's investment pools	$20,017,199		
Total investments	$64,201,651		

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, 2022, credit risk for the County's investments was as follows:

Investment type	Rating	Rating agency	Amount
U.S. agency securities	Aaa	Moody's	$21,022,672
Negotiable certificates of deposit	Unrated	Not applicable	14,369,464
Money market funds with trustee	AAAm	Standard & Poor's	8,313,815
School district warrants	Unrated	Not applicable	478,501
State Treasurer's investment pool 7	Unrated	Not applicable	4,903,914
State Treasurer's investment pool 5	AAAf/S1+	Standard & Poor's	15,113,285
Total			$64,201,651

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, 2022, 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, 2022, of 5 percent or more in Federal Home Loan Bank and Federal Farm Credit Bank. These investments were 16.27 percent and 11.92, 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, 2022, the County had the following investments in debt securities:

Investment type	Amount	Weighted average maturity (in years)
U.S. agency securities	$21,022,672	2.02
Negotiable certificates of deposit	14,369,464	1.66
Money market funds with trustee	8,313,815	0.10
School district warrants	478,501	indefinite
State Treasurer's investment pool 7	4,903,914	0.08
State Treasurer's investment pool 5	15,113,285	0.12
Total	$64,201,651	

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

Cash, deposits, and investments:

Cash on hand	$ 28,167
Amount of deposits	2,183,969
Amount of investments	64,201,651
Total	$66,413,787

	Governmental activities	Private purpose trust funds	Custodial funds External investment pools	Custodial funds Other	Total
Statement of net position:					
Cash, cash equivalents, and investments	$27,826,849	$131,081	$29,369,065	$772,977	$58,099,972
Investments held by trustee—restricted	8,313,815				8,313,815
Total	$36,140,664	$131,081	$29,369,065	$772,977	$66,413,787

Note 3 – 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, $180 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 $4,950 of cash on hand, $788,193 of deposits, $64,548 of investments in the State Treasurer's investment pools, and $8,313,815 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 deposit and investment risks. See Note 2 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	$15,023,881	None stated	None stated	$15,048,738
State Treasurer's investment pool 7	4,903,914	None stated	None stated	4,903,914
Negotiable certificates of deposit	14,899,000	0.15-3.20%	07/22 – 05/26	14,369,464
U.S. agency securities	21,888,889	0.20-3.00%	10/22 – 10/25	21,022,672
School district warrants	478,501	None stated	Indefinite	478,501

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

Statement of fiduciary net position	
Assets	$ 57,030,825
Net position	$ 57,030,825
Net position held for:	
Internal participants	$ 27,729,342
External participants	29,301,483
Total net position	$ 57,030,825
Statement of changes in fiduciary net position	
Total additions	$145,996,252
Total deductions	132,830,891
Net increase	13,165,361
Net position	
July 1, 2021	43,865,464
June 30, 2022	$ 57,030,825

Note 4 – Due from other governments

Amounts due from other governments at June 30, 2022, 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	$ 854,639					$ 854,639
County sales tax	524,807					524,807
Jail district sales tax				$523,695		523,695
State-shared vehicle license tax	52,419	$ 40,925				93,344
Highway user revenue		331,357				331,357
Grants and contributions from local, state and federal governments	23,783				$486,475	510,258
Reimbursement for services provided for governmental units			$112,700			112,700
Miscellaneous reimbursements		10,051				10,051
	$1,455,648	$382,333	$112,700	$523,695	$486,475	$2,960,851

Graham County
Notes to financial statements
June 30, 2022

Note 5 – Capital assets

Capital asset activity for the year ended June 30, 2022, was as follows:

Governmental activities:	Balance July 1, 2021 (as restated)*	Increases	Decreases	Balance June 30, 2022
Capital assets not being depreciated:				
Land	$ 3,481,430			$ 3,481,430
Construction in progress	323,425	$ 1,229,658	$476,074	1,077,009
Total capital assets not being depreciated	3,804,855	1,229,658	476,074	4,558,439
Capital assets being depreciated:				
Buildings	38,236,292	332,048		38,568,340
Machinery and equipment	16,392,248	673,800	655,748	16,410,300
Infrastructure	38,902,384	143,030		39,045,414
Total of assets being depreciated	93,530,924	1,148,878	655,748	94,024,054
Less accumulated depreciation for:				
Buildings	10,548,933	1,051,781		11,600,714
Machinery and equipment	13,359,372	894,860	640,294	13,613,938
Infrastructure	18,092,766	896,598		18,989,364
Total	42,001,071	2,843,239	640,294	44,204,016
Total capital assets being depreciated, net	51,529,853	(1,694,361)	15,454	49,820,038
Governmental activities capital assets, net	$55,334,708	$ (464,703)	$491,528	$54,378,477

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	$ 257,428
Public safety	953,155
Highways and streets	1,292,183
Sanitation	137,906
Health	53,344
Culture and recreation	89,279
Education	59,944
Total governmental activities depreciation expense	$2,843,239

$812,076 of the $1,229,658 increase in construction-in-progress are for four highway projects: Swift Trail Chip Seal, the Fort Thomas Bridge Crossing, Golf Course Road safety improvements, and Cottonwood Wash safety improvements.

*On July 1, 2021, Graham County restated governmental activities infrastructure-depreciable and the related accumulated depreciation for corrections of prior periods. These corrections were a result of infrastructure assets that should have been placed in service in prior fiscal years. Because the assets would already be fully depreciated, the restatement to both infrastructure and accumulated depreciation was $1,679,427. There was no impact to net position.

Note 6 – Long-term liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2022:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due within 1 year
Governmental activities					
Bonds payable:					
Revenue bonds	$25,385,000		$ 790,000	$24,595,000	$ 830,000
Premium on bonds	739,760		38,935	700,825	38,934
Total bonds payable	26,124,760		828,935	25,295,825	868,934
Compensated absences payable	1,323,103	$727,740	751,705	1,299,138	909,397
Financed purchases	682,483		69,758	612,725	71,374
Net pension liability	26,796,676		7,182,318	19,614,358	
Landfill closure and post-closure care costs payable	72,045	4,964	2,640	74,369	2,800
Total governmental activities long-term liabilities	$54,999,067	$732,704	$8,835,356	$46,896,415	$1,852,505

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 2022 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. This special sales tax collected was pledged to be used for acquiring, constructing, operating, maintaining, and financing of the County jail facilities and County jail system. The revenue bonds were issued on September 23, 2015. For fiscal year 2022, $2,813,966 of pledged revenues were recognized. Interest payments of $1,115,744 and principal payments of $790,000 were due in fiscal year 2022. The final bond principal and interest payments will be made on July 1, 2040.

The following bond was outstanding at June 30, 2022:

Description	Amount issued	Maturity ranges	Interest rates	Outstanding Principal
Revenue bonds	$26,340,000	7/1/2022-7/1/2040	3.500%-5.000%	$24,595,000

The following schedule details debt service requirements to maturity for the County's bond payable at June 30, 2022:

	Governmental activities Revenue bonds	
Year ending June 30	**Principal**	**Interest**
2023	$ 830,000	$ 1,075,244
2024	870,000	1,032,744
2025	915,000	988,119
2026	960,000	941,244
2027	1,010,000	891,994
2028-2032	5,815,000	3,673,631
2033-2037	7,230,000	2,232,763
2038-2041	6,965,000	589,358
Total	$24,595,000	$11,425,097

Financed purchases—The County has acquired equipment (two motor graders and a solar panel array for the adult detention facility) under contract agreements at a total purchase price of $939,814. The following schedule details debt service requirements to maturity for the County's financed purchases at June 30, 2022:

	Governmental activities	
Year ending June 30	**Principal**	**Interest**
2023	$ 71,374	$10,264
2024	156,577	8,346
2025	125,601	3,698
2026	11,672	
2027	11,614	
2028-32	57,203	
2033-37	55,787	
2038-42	54,407	
2043-47	53,061	
2048-49	15,429	
Total	$612,725	$22,308

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 $74,369 reported as landfill postclosure care costs payable at June 30, 2022, is based on what it would cost to perform all remaining postclosure care in fiscal year 2022. 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 2022, the County paid for compensated absences as follows: 54 percent from general fund, 10 percent from the highway road fund, 13 percent from the jail district operations fund, 5 percent from the American Rescue Plan Act fund, and 18 percent from other governmental funds.

Note 7 – Fund balance classifications of the governmental funds

The fund balance classifications of the governmental funds as of June 30, 2022, were as follows:

	General Fund	Highway Road Fund	Jail District Operations Fund	Jail District Debt Service Fund	American Rescue Plan Act Fund	Other governmental funds	Total governmental funds
Fund balances:							
Nonspendable:							
Inventories		$ 408,853					$ 408,853
Prepaid items	$ 295,933		$ 16,800		$49,219		361,952
Total nonspendable	295,933	408,853	16,800		49,219		770,805
Restricted for:							
Social services						631,332	631,332
Law enforcement			531,764			894,273	1,426,037
Highways and streets		5,695,156				(97,055)	5,598,101
Health						742,619	742,619
Education						293,397	293,397
Debt service				$8,837,510			8,837,510
Capital outlay						7,702	7,702
Total restricted		5,695,156	531,764	8,837,510		2,472,268	17,536,698
Committed to:							
Social services						$ 186,774	$ 186,774
Highways and streets						447,932	447,932
Total committed						634,706	634,706
Assigned to:							
Social services						714,286	714,286
Law enforcement						233,244	233,244
Health						78,573	78,573
Culture and recreation						330,129	330,129
Education						1,049,072	1,049,072
Capital outlay						30,194	30,194
Total assigned						2,435,498	2,435,498
Unassigned:	$14,890,193				$(49,219)		14,840,974
Total fund balances	$15,186,126	$6,104,009	$548,564	$8,837,510	$ -	$5,542,472	$36,218,681

Note 8 – 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 9 – Pensions

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

At June 30, 2022, the County reported the following aggregate amounts related to pension for all plans to which it contributes:

Statement of net position and statement of activities	Governmental activities
Net pension liability	$19,614,358
Net pension asset	289,689
Deferred outflows of resources	5,350,020
Deferred inflows of resources	5,728,639
Pension expense	1,170,674

The County's accrued payroll and employee benefits includes $78,730 of outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2022. Also, the County reported $2,790,689 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, 2022, statute required active ASRS members to contribute at the actuarially determined rate of 12.22 percent of the members' annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 12.01 percent of the active members' annual covered payroll. In addition, the County was required by statute to contribute at the actuarially determined rate of 10.13 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, 2022, were $972,743.

During fiscal year 2022, the County paid for ASRS pension contributions as follows: 51.1 percent from the General Fund, 15.0 percent from the Highway Road Fund, 2.5 percent from the Jail District Operations Fund, 6.1 percent from the American Rescue Plan Act Fund, and 25.3 percent from other funds.

Pension liability—At June 30, 2022, the County reported a liability of $8,789,049 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2021. 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, 2020, to the measurement date of June 30, 2021. The total liabilities as of June 30, 2021, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2020, including decreasing the discount rate from 7.5 percent to 7.0 percent and changing the projected salary increases from 2.7-7.2 percent to 2.9-8.4 percent.

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, 2021. The County's proportion measured as of June 30, 2021, was 0.0669 percent, which was an increase of 0.003 from its proportion measured as of June 30, 2020.

Expense—For the year ended June 30, 2022, the County recognized pension expense for ASRS of $789,166.

Deferred outflows/inflows of resources—At June 30, 2022, 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	$ 133,981	
Changes of assumptions or other inputs	1,143,965	
Net difference between projected and actual earnings on pension plan investments		$2,784,680
Changes in proportion and differences between County contributions and proportionate share of contributions	304,879	40,575
County contributions subsequent to the measurement date	972,743	
Total	$2,555,568	$2,825,255

The $972,743 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, 2023. 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	
2023	$ 155,094
2024	175,977
2025	(613,879)
2026	(959,622)

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

ASRS	
Actuarial valuation date	June 30, 2020
Actuarial roll forward date	June 30, 2021
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9-8.4%
Inflation	2.3%
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP

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, 2020.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.0 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%	4.90%
Fixed income - credit	20%	5.20%
Fixed income - interest rate sensitive	10%	0.70%
Real estate	20%	5.70%
Total	100%	

Discount rate—At June 30, 2021, the discount rate used to measure the ASRS total pension liability was 7.0 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions 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 7.0 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 (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

ASRS	1% decrease (6.0%)	Current discount rate (7.0%)	1% increase (8.0%)
County's proportionate share of the net pension liability	$13,824,438	$8,789,049	$4,590,928

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:**	
Retirement and disability	**Before January 1, 2012**	**On or after January 1, 2012 and before July 1, 2017**
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 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		

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 2018
Retirement and disability			
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, 2022, 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	11	5	0
Inactive employees entitled to but not yet receiving benefits	3	28	3
Active employees	12	12	2
Total	26	45	5

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, 2022, are indicated below. Rates are a percentage of active members' annual covered payroll.

	Active member—pension	County—pension
PSPSRS Sheriff	7.65%-12.01%	31.47%
CORP Detention	8.41	6.59%
CORP Dispatchers	7.96	3.96%
CORP AOC	8.41 or 10.18	35.48 or 36.30

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	21.59%	0.31%	0.00%	31.35%

The County's contributions to the plans for the year ended June 30, 2022, were:

	Pension
PSPRS Sheriff	$921,325
CORP Detention	71,324
CORP Dispatchers	4,214
CORP AOC	268,145

During fiscal year 2022, the County paid for PSPRS and CORP pension contributions as follows: 73.1 percent from the General Fund, 5.7 percent from the Jail District Operations Fund, and 21.20 percent from other funds.

Pension liability (asset)—At June 30, 2022, the County reported the following net pension liabilities (assets):

	Net pension liability (asset)
PSPRS Sheriff	$1,143,834
CORP Detention	(142,615)
CORP Dispatchers	(147,074)
CORP AOC (County's proportionate share)	2,577,655

The net pension liabilities (assets) were measured as of June 30, 2021, and the total liability used to calculate the net pension liability (assets) 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, 2021
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, 2021, 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	24%	4.08%
International public equity	16%	5.20%
Global private equity	20%	7.67%
Other assets (capital appreciation)	7%	5.43%
Core bonds	2%	0.42%
Private credit	20%	5.74%
Diversifying strategies	10%	3.99%
Cash – Mellon	1%	(0.31)%
Total	100%	

Pension discount rate—At June 30, 2021, 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 (asset) (a) – (b)**
Balances at June 30, 2021	$ 9,968,448	$5,438,127	$4,530,321
Changes for the year:			
Service cost	145,540		145,540
Interest on the total pension liability	709,284		709,284
Differences between expected and actual experience in the measurement of the pension liability	132,882		132,882
Contributions—employer		2,688,126	(2,688,126)
Contributions—employee		72,258	(72,258)
Net investment income		1,621,366	(1,621,366)
Benefit payments, including refunds of employee contributions	(795,524)	(795,524)	
Administrative expense		(7,557)	7,557
Net changes	192,182	3,578,669	(3,386,487)
Balances at June 30, 2022	$10,160,630	$9,016,796	$1,143,834

CORPâDetention	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a) â (b)
Balances at June 30, 2021	$2,721,130	$2,431,265	$ 289,865
Changes for the year:			
Service cost	75,993		75,993
Interest on the total pension liability	196,723		196,723
Differences between expected and actual experience in the measurement of the pension liability	126,269		126,269
Contributionsâemployer		133,563	(133,563)
Contributionsâemployee		44,326	(44,326)
Net investment income		656,608	(656,608)
Benefit payments, including refunds of employee contributions	(204,566)	(204,566)	
Administrative expense		(3,032)	3,032
Net changes	194,419	626,899	(432,480)
Balances at June 30, 2022	$2,915,549	$3,058,164	$(142,615)

CORPâDispatchers	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension (asset) (a) â (b)
Balances at June 30, 2021 adjusted	$533,083	$582,772	$ (49,689)
Changes for the year:			
Service cost	10,293		10,293
Interest on the total pension liability	39,666		39,666
Differences between expected and actual experience in the measurement of the pension liability	24,866		24,866
Contributionsâemployer		5,599	(5,599)
Contributionsâemployee		7,330	(7,330)
Net investment income		160,023	(160,023)
Administrative expense		(742)	742
Net changes	74,825	172,210	(97,385)
Balances at June 30, 2022	$607,908	$754,982	$(147,074)

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, 2021. The County's proportion measured as of June 30, 2021, was 0.6944 percent, which was an increase of 0.0032 from its proportion measured as of June 30, 2020.

Sensitivity of the County's net pension liability (asset) to changes in the discount rateâThe 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	$2,615,950	$1,143,834	$ (46,067)
CORP Detention			
Net pension liability/(asset)	$ 258,943	$ (142,615)	$ (468,669)
CORP Dispatchers			
Net pension liability/(asset)	$ (52,356)	$ (147,074)	$ (224,565)
CORP AOC			
County's proportionate share of the net pension liability	$3,488,082	$2,577,655	$1,831,834

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

Pension expense—For the year ended June 30, 2022, the County recognized the following pension expense:

	Pension expense
PSPRS Sheriff	$ 5,459
CORP Detention	(176,849)
CORP Dispatchers	(42,652)
CORP AOC (County's proportionate share)	(77,847)

Pension deferred outflows/inflows of resources—At June 30, 2022, 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	$ 322,903	$ 8,338
Changes of assumptions or other inputs	68,800	
Net difference between projected and actual earnings on pension plan investments		695,329
County contributions subsequent to the measurement date	921,325	
Total	$1,313,028	$703,667

CORP—Detention	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 84,180	$186,255
Changes of assumptions or other inputs	18,358	
Net difference between projected and actual earnings on pension plan investments		306,031
County contributions subsequent to the measurement date	71,324	
Total	$173,862	$492,286

CORP—Dispatchers	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$32,933	$ 60,439
Changes of assumptions or other inputs	6,789	635
Net difference between projected and actual earnings on pension plan investments		71,611
County contributions subsequent to the measurement date	4,214	
Total	$43,936	$132,685

CORP—AOC	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$246,015	$ 75,581
Changes of assumptions or other inputs	52,865	
Net difference between projected and actual earnings on pension plan investments		416,136
Changes in proportion and differences between County contributions and proportionate share of contributions	9,956	626,563
County contributions subsequent to the measurement date	268,145	
Total	$576,981	$1,118,280

The amounts reported as deferred outflows of resources related to 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30	PSPRS Sheriff	CORP Detention	CORP Dispatchers	CORP AOC
2023	$ 31,806	$(178,579)	$(30,136)	$(322,404)
2024	21,882	(38,952)	(27,746)	(256,478)
2025	(135,064)	(76,175)	(11,674)	(84,269)
2026	(230,588)	(96,042)	(23,407)	(146,293)

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, 2022, 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, 2022, the County recognized pension expense of $0.

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, 2022, 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 49.21 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, 2022, were $552,938.

During fiscal year 2022, the County paid for EORP pension contributions as follows: 97.3 percent from the General Fund and 2.7 percent from the Jail District Operations Fund.

Pension liability—At June 30, 2022, 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	$7,103,820
State's proportionate share of the EORP net pension liability associated with the County	714,050
Total	$7,817,870

The net pension liability was measured as of June 30, 2021, 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, 2021. The County's proportion measured as of June 30, 2021, was 1.16731 percent, which was an increase of 0.04036 from its proportion measured as of June 30, 2020.

Pension expense—For the year ended June 30, 2022, the County recognized pension expense for EORP of $673,397 and revenue of $168,504 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, 2022, 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		$ 94,537
Net difference between projected and actual earnings on pension plan investments		361,929
Changes in proportion and differences between County contributions and proportionate share of contributions	$133,707	
County contributions subsequent to the measurement date	552,938	
Total	$686,645	$456,466

The $552,938 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, 2023. 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	
2023	$ (35,137)
2024	(75,366)
2025	(89,014)
2026	(123,242)

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

EORP pension	
Actuarial valuation date	June 30, 2021
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, 2021, 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	24%	4.08%
International public equity	16%	5.20%
Global private equity	20%	7.67%
Other assets (capital appreciation)	7%	5.43%
Core bonds	2%	0.42%
Private credit	20%	5.74%
Diversifying strategies	10%	3.99%
Cash – Mellon	1%	(0.31)%
Total	100%	

Discount rate—At June 30, 2021, 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	$8,162,843	$7,103,820	$6,194,931

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, 2022, 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, 2022, the County recognized pension expense of $14,359.

Note 10 – Interfund activity

Interfund transfers—Interfund transfers for the year ended June 30, 2022, were as follows:

	Transfer to			
Transfer from	General Fund	Jail District Operations Fund	Other Governmental Funds	Total
General Fund		$3,119,235	$ 17,146	$3,136,381
Highway Road Fund			725,902	725,902
Jail District Operations Fund	$300,000			300,000
Jail District Debt Service Fund		389,086		389,086
Other Governmental Funds	38,696		25,721	64,417
Total	$338,696	$3,508,321	$768,769	$4,615,786

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. $3,119,235, which represents the majority of the $3,136,381 transfers from the general fund was to fund statutorily required maintenance of effort payments to the jail district operations fund.

Note 11 – Subsequent event

The County had major contractual commitments related to one capital project at June 30, 2022, for the Public Safety Communication System Refresh project. At June 30, 2022, the County had spent no money on this project and had no contractual commitments. On July 1, 2022, a contractual commitment was entered into between the County and Motorola Solutions. The project costs are $2,246,984. The payment terms of the contract are 25 percent due upon contract execution (due upon invoice receipt). This payment, $542,318 was paid on July 18, 2022. An additional 60 percent will be due upon shipment of equipment from staging; 10 percent will be due upon installation of the equipment, and the final 5 percent will be due upon final acceptance. It is unknown at this time whether these amounts will fall into fiscal year 2023 or 2024. The entire project is being funded by the County's share of American Rescue Plan Act dollars.

There are also substantial post-warranty maintenance cost estimates that are also part of the commitment. These will be paid by the County general fund. They are as follows:

	Year 1 (Warranty)	Year 2	Year 3	Year 4	Year 5
System support agreement	Included	$86,585	$90,141	$93,876	$97,795

Other required supplementary information

Graham County
Required supplementary information
Budgetary comparison schedule
General Fund
Year ended June 30, 2022

	Budgeted amounts Original	Budgeted amounts Final	Actual amounts	Variance with final budget
Revenues:				
Property taxes	$ 6,406,769	$ 6,406,769	$ 6,389,462	$ (17,307)
County sales taxes	2,250,000	2,250,000	2,820,071	570,071
Licenses and permits	76,500	76,500	110,157	33,657
Intergovernmental	10,190,678	10,190,678	12,879,541	2,688,863
Charges for services	1,470,815	1,470,815	1,464,327	(6,488)
Fines and forfeits	211,000	211,000	163,386	(47,614)
Investment earnings	35,000	35,000	(297,734)	(332,734)
Rents	40,000	40,000	27,247	(12,753)
Miscellaneous	23,600	23,600	58,932	35,332
Donations	100,000	100,000	2,800	(97,200)
Total revenues	20,804,362	20,804,362	23,618,189	2,813,827
Expenditures:				
Current				
General government				
Board of supervisors	831,763	831,763	559,092	272,671
Treasurer	368,039	368,039	346,296	21,743
Assessor	692,097	692,097	631,662	60,435
Recorder	307,032	324,032	295,551	28,481
Elections	155,590	155,590	83,098	72,492
Attorney	1,103,618	1,103,618	871,463	232,155
Human resources	169,981	169,981	129,889	40,092
Clerk of the court	609,925	609,925	523,405	86,520
Superior court	893,382	893,382	713,813	179,569
Justice of the peace No.1	430,352	430,352	386,085	44,267
Justice of the peace No.2	283,757	283,757	248,607	35,150
Victim witness	10,707	10,707	6,441	4,266
Public fiduciary	108,042	113,042	97,954	15,088
Planning and zoning	314,508	314,508	278,995	35,513
Building maintenance	259,542	259,542	232,934	26,608
Electrical maintenance	12,706	12,706	7,966	4,740
General services	199,500	199,500	136,931	62,569
Contingency	8,244,388	7,470,088		7,470,088
Miscellaneous	720,354	720,354	428,948	291,406
Information technology	1,591,383	1,591,383	1,153,254	438,129
Total general government	17,306,666	16,554,366	7,132,384	9,421,982

(Continued)

See accompanying notes to budgetary comparison schedules.

Graham County
Required supplementary information
Budgetary comparison schedule
General Fund
Year ended June 30, 2022
(Continued)

	Budgeted amounts		Actual	Variance with
	Original	Final	amounts	final budget
Public safety				
Probation	$ 200,764	$ 215,764	$ 202,320	$ 13,444
Sheriff	3,658,908	4,258,908	4,032,143	226,765
Search and rescue	20,471	20,471	16,885	3,586
Juvenile detention center	533,772	633,772	591,853	41,919
Animal shelter	240,395	240,395	228,594	11,801
Total public safety	4,654,310	5,369,310	5,071,795	297,515
Sanitation				
Sanitary landfill	120,902	120,902	101,252	19,650
Health				
Health services	142,879	142,879	128,189	14,690
Welfare				
Attorney for the indigent	523,000	523,000	518,477	4,523
Indigent medical	2,573,400	2,573,400	2,075,481	497,919
Total welfare	3,096,400	3,096,400	2,593,958	502,442
Cultural and recreation				
Parks and recreation	458,038	475,368	458,637	16,731
Education				
School superintendent	264,105	274,105	275,993	(1,888)
Capital outlay	1,305,201	1,315,171	600,523	714,648
Total expenditures	27,348,501	27,348,501	16,362,731	10,985,770
Excess (deficiency) of revenues over expenditures	(6,544,139)	(6,544,139)	7,255,458	13,799,597

(Continued)

See accompanying notes to budgetary comparison schedules.

Graham County
Required supplementary information
Budgetary comparison schedule
General Fund
Year ended June 30, 2022
(Continued)

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Other financing sources (uses):				
Proceeds from sale of capital assets			$ 647	$ (647)
Transfers in	$ 741,039	$ 741,039	338,696	402,343
Transfers out	(3,401,526)	(3,401,526)	(3,136,381)	(265,145)
Total other financing uses	(2,660,487)	(2,660,487)	(2,797,038)	(136,551)
Net change in fund balances	(9,204,626)	(9,204,626)	4,458,420	13,663,046
Fund balances, July 1, 2021	9,204,626	9,204,626	10,727,706	1,523,080
Fund balances, June 30, 2022	$ -	$ -	$ 15,186,126	$ 15,186,126

See accompanying notes to budgetary comparison schedules.

Graham County

Required supplementary information
Budgetary comparison schedule
Highway Road Fund
Year ended June 30, 2022

	Budgeted amounts		Actual	Variance with
	Original	Final	amounts	final budget
Revenues:				
Intergovernmental	$ 4,787,907	$ 4,787,907	$ 4,552,149	$ (235,758)
Charges for services	178,605	178,605	154,909	(23,696)
Investment earnings	55,000	55,000	(112,406)	(167,406)
Miscellaneous	284,608	284,608	156,599	(128,009)
Total revenues	5,306,120	5,306,120	4,751,251	(554,869)
Expenditures:				
Current:				
Highways and streets				
General road	9,564,371	9,564,371	3,641,679	5,922,692
Engineering	560,197	560,197	368,586	191,611
Total highways and streets	10,124,568	10,124,568	4,010,265	6,114,303
Capital outlay	863,000	863,000	346,581	516,419
Total expenditures	10,987,568	10,987,568	4,356,846	6,630,722
Excess (deficiency) of revenues over expenditures	(5,681,448)	(5,681,448)	394,405	6,075,853
Other financing sources (uses):				
Proceeds from sale of capital assets			23,620	23,620
Transfers out	(1,524,528)	(1,524,528)	(725,902)	798,626
Total other financing uses	(1,524,528)	(1,524,528)	(702,282)	822,246
Net change in fund balances	(7,205,976)	(7,205,976)	(307,877)	6,898,099
Fund balances, July 1, 2021	7,205,976	7,205,976	6,330,113	(875,863)
Changes in nonspendable resources:				
Decrease in inventories			81,773	81,773
Fund balances, June 30, 2022	$ -	$ -	$ 6,104,009	$ 6,104,009

See accompanying notes to budgetary comparison schedules.

Graham County

Required supplementary information
Budgetary comparison schedule
Jail District Operations Fund
Year ended June 30, 2022

	Budgeted amounts		Actual	Variance with
	Original	Final	amounts	final budget
Revenues:				
Intergovernmental	$ 611,900	$ 611,900	$ 490,029	$ (121,871)
Charges for services	63,000	63,000	328,938	265,938
Investment earnings	750	750	(11,351)	(12,101)
Miscellaneous	5,000	5,000	10,236	5,236
Total revenues	680,650	680,650	817,852	137,202
Expenditures:				
Current:				
Public safety	4,466,654	4,441,654	3,504,564	628,262
Total expenditures	4,008,661	4,008,661	3,504,564	504,097
Excess (deficiency) of revenues over expenditures	(3,328,011)	(3,328,011)	(2,686,712)	641,299
Other financing sources (uses):				
Transfers in	3,374,235	3,374,235	3,508,321	134,086
Transfers out	(147,129)	(147,129)	(300,000)	(152,871)
Total other financing sources	3,227,106	3,227,106	3,208,321	(18,785)
Net change in fund balances	(100,905)	(100,905)	521,609	622,514
Fund balances, July 1, 2021	100,905	100,905	26,955	(73,950)
Fund balances, June 30, 2022	$ -	$ -	$ 548,564	$ 548,564

See accompanying notes to budgetary comparison schedules.

Graham County

Required supplementary information
Budgetary comparison schedule
American Rescue Plan Act Fund
Year ended June 30, 2022

	Budgeted amounts		Actual	Variance with
	Original	Final	amounts	final budget
Revenues:				
Intergovernmental	$ 7,599,387	$ 7,599,387	$ 1,110,751	$ (6,488,636)
Investment earnings			(54,325)	(54,325)
Total revenues	7,599,387	7,599,387	1,056,426	(6,542,961)
Expenditures:				
Current:				
General government	7,599,387	7,599,387	354,852	(7,244,535)
Public safety			446,515	446,515
Highways and streets			110,055	110,055
Sanitation			4,538	4,538
Health			81,175	81,175
Culture and recreation			48,145	48,145
Education			11,146	11,146
Total American rescue plan act	7,599,387	7,599,387	1,056,426	(6,542,961)
Total expenditures	7,599,387	7,599,387	1,056,426	(6,542,961)
Excess (deficiency) of revenues over expenditures				
Other financing sources (uses):				
Transfers in				
Transfers out				
Total other financing sources				
Net change in fund balances				
Fund balances, July 1, 2021				
Fund balances, June 30, 2022	$ -	$ -	$ -	$ -

See accompanying notes to budgetary comparison schedules.

Graham County
Required supplementary information
Notes to budgetary comparison schedules
June 30, 2022

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, 2022, expenditures exceeded final budget amounts at the department level (the legal level budgetary control) as follows:

Department/Fund	Excess
School superintendent	$1,888

The excess in the School superintendent was a direct result of recording $11,635 in non-employer contributions from the State for the Elected Officials' Retirement Plan as an expense 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, 2022

Arizona State Retirement System

	Reporting fiscal year (Measurement date)							
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
County's proportion of the net pension liability	0.066900%	0.063900%	0.064730%	0.067400%	0.069800%	0.073220%	0.074090%	0.071692%
County's proportionate share of the net pension liability	$ 8,789,049	$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	$ 7,463,509	$ 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	117.76%	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	78.58%	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)							
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
County's proportion of the net pension liability	0.694374%	0.691244%	0.711276%	1.090015%	1.173175%	1.203620%	1.321665%	1.232231%
County's proportionate share of the net pension liability	$ 2,577,655	$ 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	$ 817,801	$ 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	315.19%	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	62.53%	50.07%	51.99%	53.72%	49.21%	54.81%	57.89%	58.59%

Elected Officials Retirement Plan

	Reporting fiscal year (Measurement date)							
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
County's proportion of the net pension liability	1.16731%	1.126947%	1.120994%	1.499906%	1.03997%	1.0560888%	0.9676842%	0.9420437%
County's proportionate share of the net pension liability	$ 7,103,820	$ 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	$ 714,050	$ 722,934	$ 698,736	$ 1,619,449	$ 2,630,160	$ 2,060,080	$ 2,357,511	$ 1,935,486
Total	$ 7,817,870	$ 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	$ 915,605	$ 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	775.86%	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	36.28%	29.80%	30.14%	30.36%	19.66%	23.42%	28.32%	31.91%

2013 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, 2022

PSPRS

	Reporting fiscal year (Measurement date)							
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total pension liability								
Service cost	$ 145,540	$ 163,049	$ 214,770	$ 216,213	$ 224,725	$ 161,447	$ 160,546	$ 192,299
Interest on the total pension liability	709,284	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	132,882	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	(795,524)	(328,099)	(445,313)	(553,668)	(305,962)	(205,520)	(284,120)	(182,340)
Net changes in total pension liability	192,182	926,042	548,572	290,891	772,682	1,204,414	307,101	735,527
Total pension liability—beginning	9,968,448	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)	$10,160,630	$ 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	$ 2,688,126	$ 604,150	$ 323,440	$ 383,852	$ 387,287	$ 350,828	$ 193,270	$ 195,845
Contributions—employee	72,258	70,908	83,079	96,079	114,060	120,677	101,878	98,297
Net investment income	1,621,366	68,041	265,479	312,773	471,427	21,393	125,056	414,968
Benefit payments, including refunds of employee contributions	(795,524)	(328,099)	(445,313)	(553,668)	(305,962)	(205,520)	(284,120)	(182,340)
Administrative expense	(7,557)	(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	3,578,669	409,452	221,074	236,416	707,236	327,322	116,909	433,844
Plan fiduciary net position—beginning	5,438,127	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)	$ 9,016,796	$ 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)	$ 1,143,834	$ 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	88.74%	54.55%	55.61%	56.60%	55.76%	52.04%	56.85%	57.82%
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 net pension liability as a percentage of covered payroll	94.76%	418.39%	374.92%	326.81%	337.52%	344.44%	287.25%	248.09%

2013 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, 2022

CORP-Detention

	Reporting fiscal year (Measurement date)							
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total pension liability								
Service cost	$ 75,993	$ 123,684	$ 172,423	$ 203,644	$ 185,996	$ 167,701	$ 179,080	$ 159,853
Interest on the total pension liability	196,723	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	126,270	(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	(204,566)	(178,775)	(297,901)	(272,984)	(205,339)	(216,397)	(188,456)	(304,826)
Net changes in total pension liability	194,419	(258,617)	132,066	(76,385)	461,685	61,234	85,896	86,369
Total pension liability—beginning	2,721,130	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)	$ 2,915,550	$ 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	$ 133,563	$ 233,423	$ 113,877	$ 120,374	$ 103,251	$ 107,149	$ 74,587	$ 104,148
Contributions—employee	44,326	53,500	80,173	111,107	104,932	104,762	122,500	93,360
Net investment income	656,608	69,243	117,297	153,706	226,659	11,695	67,673	230,025
Benefit payments, including refunds of employee contributions	(204,566)	(178,775)	(297,901)	(272,984)	(205,339)	(216,397)	(188,456)	(304,826)
Administrative expense	(3,032)	(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	626,899	174,711	10,653	109,136	227,109	3,782	41,188	120,898
Plan fiduciary net position—beginning	2,431,266	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)	$ 3,058,165	$ 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 (asset)—ending (a) – (b)	$ (142,615)	$ 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	104.89%	89.35%	75.73%	78.87%	73.08%	77.55%	79.37%	80.54%
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 net pension liability as a percentage of covered payroll	10.17%	21.07%	45.82%	45.85%	58.41%	44.41%	41.20%	40.70%

2013 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, 2022

CORP-Dispatchers

	Reporting fiscal year (Measurement date)							
	2022 (2021)	**2021 (2020)**	**2020 (2019)**	**2019 (2018)**	**2018 (2017)**	**2017 (2016)**	**2016 (2015)**	**2015 (2014)**
Total pension liability								
Service cost	$ 10,293	$ 16,975	$ 22,951	$ 25,228	$ 23,154	$ 22,530	$ 29,562	$ 34,365
Interest on the total pension liability	39,666	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	24,866	(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	74,825	(163,812)	63,567	27,975	138,734	17,709	41,191	20,780
Total pension liability—beginning	533,083	696,895	633,328	605,353	466,619	448,910	407,719	386,939
Total pension liability—ending (a)	$ 607,908	$ 533,083	$ 696,895	$ 633,328	$ 605,353	$ 466,619	$ 448,910	$ 407,719
Plan fiduciary net position								
Contributions—employer	$ 5,599	$ 6,615	$ 11,455	$ 10,176	$ 9,753	$ 10,904	$ 10,664	$ 14,898
Contributions—employee	7,330	7,164	11,355	12,559	12,436	14,206	14,585	16,679
Net investment income	160,023	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	(742)	(673)	(1,325)	(1,371)	(951)	(856)	(835)	(444)
Other changes				(12)	(3)	(3)	(380)	
Net changes in plan fiduciary net position	172,210	(83,638)	(1,752)	64,969	84,262	(1,686)	42,130	70,479
Plan fiduciary net position—beginning	582,772	664,410	669,138	604,169	519,907	521,593	479,463	408,984
Plan fiduciary net position—ending (b)	$ 754,982	$ 580,772	$ 667,386	$ 669,138	$ 604,169	$ 519,907	$ 521,593	$ 479,463
County's net pension liability (asset)—ending (a) – (b)	$ (147,074)	$ (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	124.19%	108.95%	95.77%	105.65%	99.80%	111.42%	116.19%	117.60%
Covered payroll	$ 92,082	$ 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 payrol	159.72%	(55.21)%	21.61%	(22.70)%	0.73%	(29.67)%	(39.67)%	(34.18)%

2013 through 2014 – Information is not available

Graham County
Required supplementary information
Schedule of County pension contributions
June 30, 2022

Arizona State Retirement System

	Reporting fiscal year								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	$ 972,743	$ 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	972,743	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	$ 8,467,368	$ 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	11.49%	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								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	$ 268,145	$ 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	268,145	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	$ 767,174	$ 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	34.95%	33.17%	30.24%	32.11%	22.30%	19.87%	18.47%	15.70%	13.97%

Elected Officials Retirement Plan

	Reporting fiscal year								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	$ 552,938	$ 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	552,938	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	$ 981,385	$ 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	56.34%	57.31%	58.87%	44.30%	4.70%	23.00%	23.15%	23.47%	23.18%

2013 – Information is not available

Graham County
Required supplementary information
Schedule of County pension contributions
June 30, 2022

PSPRS

	Reporting fiscal year								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 321,325	$ 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	921,325	2,341,580	576,303	615,334	384,786	399,787	348,370	193,270	195,845
County's contribution deficiency (excess)	$ (600,000)	$ (2,000,000)	$ (300,000)	$ (300,000)	$ -	$ (55,233)	$ (45,665)	$ -	$ -
County's covered payroll	$ 1,272,524	$ 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	72.40%	193.98%	53.22%	57.48%	34.11%	37.18%	33.67%	20.67%	19.46%

CORP—Detention

	Reporting fiscal year								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 71,324	$ 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	71,324	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	$ 1,281,422	$ 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	5.57%	6.95%	10.78%	17.75%	8.46%	8.00%	8.13%	6.20%	9.41%

CORP—Dispatchers

	Reporting fiscal year								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 4,214	$ 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	4,214	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	$ 106,408	$ 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	3.96%	6.08%	7.35%	8.03%	6.45%	6.25%	6.10%	5.82%	7.10%

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 2020 actuarial valuation	26 years for PSPRS and 16 years for CORP
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. 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 2019 actuarial valuation, change to PubS-2010 tables. 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 also 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 U.S. Comptroller General, 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, 2022, 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 23, 2023.

Report on 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-02 and 2022-03, that we consider to be significant deficiencies.

Report on 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and that is described in the accompanying schedule of findings and questioned costs as item 2022-01.

County response to findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's responses to the findings identified in our audit that 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 other 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 23, 2023

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

Opinion on each major federal program

We have audited Graham County's compliance with the types of compliance requirements identified as subject to audit 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, 2022. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County complied, in all material respects, with the 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, 2022.

Basis for opinion on each major federal program

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 U.S. Comptroller General, 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). Our responsibilities under those standards and the Uniform Guidance are further described in the auditors' responsibilities for the audit of compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Management's responsibilities for compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County's federal programs.

Auditors' responsibilities for the audit of compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the County's internal control over compliance. Accordingly, we express no such opinion.

We are required to communicate with those charged with governance regarding, among other matters, the audit's planned scope and timing and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 auditors' responsibilities for the audit of compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 23, 2023

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**
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs	**$750,000**
Auditee qualified as low-risk auditee?	**Yes**

Financial statement findings

2022-01

The County misspent $81,700 of monies restricted for highway and street purposes, resulting in less monies available for highway and street projects

Condition—Contrary to State laws, the County spent $81,700 of monies restricted for highway and street purposes on unallowable uses. Specifically, the County's Highway Department informed us that it spent $30,012 of Highway User Revenue Fund (HURF) and vehicle license taxes (VLT) monies for its in-house mechanic labor and $51,688 for parts to service County-owned vehicles used by the County's Animal Control, Fairgrounds, Emergency Services, Health, Sheriff's Office, and other departments whose vehicles are not used for highway and street purposes. County management and the Finance Department reported to us that the County plans to repay the Highway Road Fund with the County's unrestricted monies for servicing other departments' vehicles in fiscal year 2023.

Effect—The County's misspending of HURF and VLT monies for nonhighway and nonstreet purposes resulted in the County not complying with State laws and having $81,700 less for future highway and street projects. Specifically, the County identified and budgeted for future highway and street projects within its Fiscal Years 2023-2027 Special Projects Plan, such as chip seal and drainage repairs. However, if the County does not repay these unallowed costs with other unrestricted monies, the County will have less monies available for these planned highway and street projects.

Cause—A Highway Department employee reported to us that the Highway Department was responsible for servicing all County-owned vehicles and all service costs were paid from monies restricted for highway and street purposes. According to the employee, in prior fiscal years, the Highway Department relied on informal processes such as billing and seeking reimbursement from other departments, whereby it would be repaid through the Finance Department for servicing other departments' vehicles using County General Fund or other unrestricted monies. However, the Highway Department reported to us that it did not have this billing process in place during fiscal year 2022 due to a misunderstanding between it, the Finance Department, and County management regarding how the monies could be reimbursed. Further, the Highway Department lacks written policies and procedures and training regarding the allowable uses of monies restricted for highway and street purposes.

Criteria—State laws restrict HURF monies and certain VLT monies to be spent for highway and street purposes (Arizona Revised Statutes §§28-6533 and 28-5808).[1] Further, State guidance stipulates that counties' determination of allowable uses of the monies depends on whether those expenses relate directly to street and highway purposes and provides several examples, including administrative costs. Accordingly, the County's Highway Department considers vehicle repairs and maintenance costs to be allowable only for those County vehicles used solely for highway and street purposes.[2] Additionally, designing, implementing, and maintaining policies and procedures to achieve County objectives, including compliance with State laws governing monies restricted for highway and street purposes, and responding to noncompliance risks are effective internal control activities and an essential part of internal control standards, such as *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States.[3] Such guidance is fundamental to ensuring monies are not fraudulently or mistakenly misused.

Recommendations—The County should:

1. Spend HURF and VLT monies restricted for highway and street purposes only on allowable uses in accordance with State laws.
2. Reimburse the $81,700 of misspent HURF and VLT monies with other allowable, unrestricted County monies.
3. Develop and implement policies and procedures to:

    a. Define allowable uses of HURF and VLT monies restricted for highway and street purposes.
    b. Bill and seek reimbursement from other County departments for servicing County-owned vehicles that are not used for highway and street purposes.
    c. Require training for County employees who are responsible for carrying out the policies and procedures related to the allowable uses of HURF and VLT monies restricted for highway and street purposes.

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.

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[1] Monies the Department receives that are restricted for highway and street purposes include highway user revenue fees and vehicle license taxes.

[2] Arizona Attorney General. (2005). A.G. Opinion No. I05-003 (R04-011), *County Use of Highway User Revenue Funds*. Phoenix, Arizona. Retrieved 1/31/2023 from https://www.azag.gov/opinions/i05-003-r04-011.

[3] U.S. Government Accountability Office (GAO). (2014). *Standards for Internal Control in the Federal Government.* Washington, DC. Retrieved 1/31/2023 from https://www.gao.gov/assets/670/665712.pdf.

2022-02

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 of potential harm.

Cause—The County did not prioritize developing, documenting, and implementing policies and procedures to identify, classify, and protect its sensitive information.

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. Make it a priority to develop, document, and implement written IT policies and procedures and develop a process to manage risks and determine where to implement critical controls.
2. Evaluate and manage the risk 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 2021-01.

2022-03

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 did not prioritize 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. Review all other account access to ensure it remains appropriate and necessary.
3. 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:

4. Establish and follow a documented change management process.
5. Review proposed changes for appropriateness, justification, and security impact.
6. Document changes, testing procedures and results, change approvals, and post-change review.
7. Develop and document a plan to roll back changes in the event of a negative impact to IT systems.
8. Test changes prior to implementation.
9. Separate responsibilities for the change management process or, if impractical, perform a post-implementation review to ensure the change was implemented as approved.
10. 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:

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 2021-02.

Federal award findings and questioned costs

None reported.

COUNTY SECTION

GRAHAM COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2021 - 6/30/2022

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*	*$165,846*	*$165,846*	*N/A*	*$0*
SCHOOLS AND ROADS - GRANTS TO STATES	10.665				$497,476	$497,476	FOREST SERVICE SCHOOLS AND ROADS CLUSTER	$497,476
LAW ENFORCEMENT AGREEMENTS	*10.704*		*FOREST SERVICE*	*18-LE-11030500-004*	*$3,928*	*$3,928*	*N/A*	*$0*
WATERSHED PROTECTION AND FLOOD PREVENTION	*10.904*		*NATIONAL RESOURCE CONSERVATION SERVICE*	*NR209457XXXXC005*	*$122,555*	*$122,555*	*N/A*	*$0*
TOTAL DEPARTMENT OF AGRICULTURE					$789,805			
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT								
COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII	*14.228*		*ARIZONA DEPARTMENT OF HOUSING*	*121-22*	*$3,606*	*$3,606*	*N/A*	*$0*
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					$3,606			
DEPARTMENT OF JUSTICE								
CORONAVIRUS EMERGENCY SUPPLEMENTAL FUNDING PROGRAM	*16.034*	*COVID-19*	*ARIZONA CRIMINAL JUSTICE COMMISSION*	*ACESF-21-024*	*$3,341*	*$3,341*	*N/A*	*$0*
CRIME VICTIM ASSISTANCE	*16.575*		*ARIZONA DEPARTMENT OF PUBLIC SAFETY*	*2020-164*	*$56,555*	*$56,555*	*N/A*	*$0*
STATE CRIMINAL ALIEN ASSISTANCE PROGRAM	16.606				$4,500	$4,500	N/A	$0
BULLETPROOF VEST PARTNERSHIP PROGRAM	16.607				$913	$913	N/A	$0
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	*16.738*		*ARIZONA CRIMINAL JUSTICE COMMISSION*	*DC-22-024 DC-22-005*	*$21,730*	*$21,730*	*N/A*	*$0*
TOTAL DEPARTMENT OF JUSTICE					$87,039			
DEPARTMENT OF TRANSPORTATION								
HIGHWAY PLANNING AND CONSTRUCTION	*20.205*		*ARIZONA DEPARTMENT OF TRANSPORTATION*	*19-0007589-I 21-0008099-I*	*$720,480*	*$720,480*	*HIGHWAY PLANNING AND CONSTRUCTION CLUSTER*	*$720,480*
STATE AND COMMUNITY HIGHWAY SAFETY	*20.600*		*GOVERNOR'S OFFICE OF HIGHWAY SAFETY*	*2020-AL-018 2021-AL-2015 2020-PTS-025 2021-PTS-028 2022-PTS-031*	*$13,964*	*$13,964*	*HIGHWAY SAFETY CLUSTER*	*$13,964*
NATIONAL PRIORITY SAFETY PROGRAMS	*20.616*		*GOVERNOR'S OFFICE OF HIGHWAY SAFETY*	*2022-405D-023*	*$15,000*	*$15,000*	*N/A*	*$0*
TOTAL DEPARTMENT OF TRANSPORTATION					$749,444			
DEPARTMENT OF TREASURY								
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	COVID-19			$1,016,984	$1,056,426	N/A	$0
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	*21.027*	*COVID-19*	*ARIZONA OFFICE OF THE GOVERNOR*	*GR-ARPA-GCF-070121-01*	*$39,442*	*$1,056,426*	*N/A*	*$0*
TOTAL DEPARTMENT OF TREASURY					$1,056,426			
DELTA REGIONAL AUTHORITY or DENALI COMMISSION or ELECTION ASSISTANCE COMMISSION or JAPAN U.S. FRIENDSHIP COMMISSION								
2018 HAVA ELECTION SECURITY GRANTS	*90.404*		*ARIZONA SECRETARY OF STATE*	*AZ18101001 AZ20101001*	*$5,287*	*$5,287*	*N/A*	*$0*
TOTAL DELTA REGIONAL AUTHORITY or DENALI COMMISSION or ELECTION ASSISTANCE COMMISSION or JAPAN U.S. FRIENDSHIP COMMISSION					$5,287			
DEPARTMENT OF HEALTH AND HUMAN SERVICES								
PUBLIC HEALTH EMERGENCY PREPAREDNESS	*93.069*		*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*CTR055210*	*$187,052*	*$187,052*	*N/A*	*$0*
IMMUNIZATION COOPERATIVE AGREEMENTS	*93.268*	*COVID-19*	*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*ADHS18-177679*	*$348,687*	*$348,687*	*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 CTR040477*	*$62,561*	*$62,561*	*N/A*	*$0*
CHILD SUPPORT ENFORCEMENT	*93.563*		*ARIZONA DEPARTMENT OF ECONOMIC SECURITY*	*G1804AZ4004*	*$9,675*	*$9,675*	*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*	*$4,623*	*$4,623*	*N/A*	*$0*
PREVENTIVE HEALTH SERVICES_SEXUALLY TRANSMITTED DISEASES CONTROL GRANTS	*93.977*		*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*CTR040477-1*	*$1,071*	*$1,071*	*N/A*	*$0*
PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT	*93.991*		*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*CTR055363*	*$65,060*	*$65,060*	*N/A*	*$0*
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	*93.994*		*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*IGA2020-037*	*$105,073*	*$105,073*	*N/A*	*$0*
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES					$783,802			
DEPARTMENT OF HOMELAND SECURITY								
EMERGENCY MANAGEMENT PERFORMANCE GRANTS	*97.042*		*ARIZONA DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS*	*EMF-2021-EP-00016-S01/18*	*$38,743*	*$38,743*	*N/A*	*$0*
HOMELAND SECURITY GRANT PROGRAM	*97.067*		*ARIZONA DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS*	*190306-01 200414-01 210426-01*	*$168,128*	*$168,128*	*N/A*	*$0*
TOTAL DEPARTMENT OF HOMELAND SECURITY					$206,871			
TOTAL EXPENDITURE OF FEDERAL AWARDS					$3,682,280			

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 7/1/2021 - 6/30/2022

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 County's federal grant activity for the year ended June 30, 2022. 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 2022 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

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

Dustin Welker, County Manager/Clerk

March 23, 2023

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, 2022

Financial statement findings

2022-01
The County misspent $81,700 of monies restricted for highway and street purposes, resulting in less monies available for highway and street projects

Julie Rodriguez, Chief Financial Officer
Anticipated completion date: March 2023

Response: Concur
Corrective action:
In November 2022, County Manager Dusting Welker wrote a memo to the Highway Department outlining specific procedures to follow for reimbursement of costs not allowable from HURF and VLT monies. In December 2022, the Highway Road Fund was reimbursed for all current fiscal year's costs from July 2022 through October 2022. In March 2023, the County reimbursed the Highway Road Fund $81,700 for the charges related to fiscal year 2022. Beginning in January 2023, the Highway Department followed the November 2022 procedures by submitting invoices monthly. These costs are reimbursed monthly, and this procedure will continue to be followed going forward.

2022-02
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 2024

Response: Concur
Corrective action:
We are currently drafting information and risk management security policies and procedures to address identification, classification, and handling of sensitive data. Once finalized, the County will evaluate and address the associated risk in accordance with state statues and federal regulations.

2022-03

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 2024

Response: Concur
Corrective action:
Accounts have been reviewed and disabled if currently not in use, and migration off old system with limited authentication is almost complete. Although internal processes are followed for changes, these actions will be drafted into an approved change management policy that includes justification review to configuring, testing, and post-implementation review based on current IT standards and best practices. Other appropriate information security and incident response policies and procedures are being developed.

Graham County Board of Supervisors

921 W. Thatcher Blvd.
Safford, AZ 85546
Phone: (928) 428-3250
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John Howard, Vice Chairman
Danny Smith, Member

Dustin Welker, County Manager/Clerk

March 23, 2023

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, 2022

Status of financial statement findings

Managing risk

Finding number: 2021-01. This finding initially occurred in fiscal year 2016.
Status: Not corrected

- The Graham County IT Department was unable to completely meet the anticipated completion date of June 2023 due to employee turnover and delayed receipt of critical equipment and software.
- 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: 2021-02. This finding initially occurred in fiscal year 2016.
Status: partially corrected

- The Graham County IT Department was unable to completely meet the anticipated completion date of June 2023 due to employee turnover and delayed receipt of critical equipment and software.
- 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.

ARIZONA
Auditor General
Making a Positive Difference