Graham County

Annual Financial and
Single Audit Reports

Year Ended June 30, 2023

A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General

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

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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, 2023, 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, 2023, 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, 2023, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Other matters

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

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

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

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 43 through 48, schedule of the County's proportionate share of the net pension liability—cost-sharing plans on page 50, schedule of changes in the County's net pension liability (asset) and related ratios—agent pension plans on pages 51 through 53, and schedule of County pension contributions on pages 54 through 55 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 25, 2024, 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 25, 2024

Graham County
Management's discussion and analysis
Year-ended June 30, 2023

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, 2023. We encourage readers to consider the information presented here in conjunction with the basic financial statements.

Financial highlights for fiscal year 2023

- 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 $61,557,654 (net position). Of this amount, $32,327,281 is the net investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure, intangibles, and construction in progress); $20,067,317 is restricted for specific purposes (restricted net position); and $9,136,056 is the unrestricted net position balance that is primarily a result of the unassigned fund balance in the general fund of $24,825,553.
- The increase in the County's net position was $17,497,029 in fiscal year 2023.
- As of the close of the current fiscal year, Graham County's governmental funds reported combined ending fund balances of $49,047,549, an increase of $12,828,868 in comparison with the prior year. The increase was mainly due to the general fund and the jail district debt service funds. The $9,993,291 increase in the general fund was primarily due to covering general fund salaries with American Rescue Plan Act and Local Assistance and Tribal Consistency fund monies. The $1,705,517 increase in the jail district debt service fund was primarily due to higher sales taxes and investment earnings.
- At the end of the current fiscal year, unassigned fund balance for the general fund was $24,825,553, or 195.1 percent, of total general fund expenditures.
- Graham County's capital assets increased by $3,477,485 during the current fiscal year. The key factors were increases in machinery and equipment, infrastructure, intangibles, and construction-in-progress for a total of $5,627,406, offset by the increase in accumulated depreciation of $2,484,276. The largest capital asset additions were for the Golf Course Road and Cottonwood Wash Road safety improvements totaling $1,694,255; 12 intangible information technology software assets totaling $959,223 items; highway department heavy equipment, including a wheel loader, a truck with crane and a dump truck, totaling $649,178; 10 vehicles totaling $507,379; the chip sealing of three County roads totaling $383,270; building and remodel costs totaling $334,355 which include remodeling of justice court offices, the highway conference room, courthouse bathrooms, two waste transfer site offices and work on fairgrounds exhibit buildings; a playground canopy and equipment for $324,660; safety and security equipment totaling $164,553 of which $121,262 was for a video surveillance system in the adult detention facility; $162,513 for information technology equipment including switches, controllers, and gateways.

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 & Local Assistance and Tribal Consistency fund which are a major fund. 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 - 41 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 43 - 57 of this report.

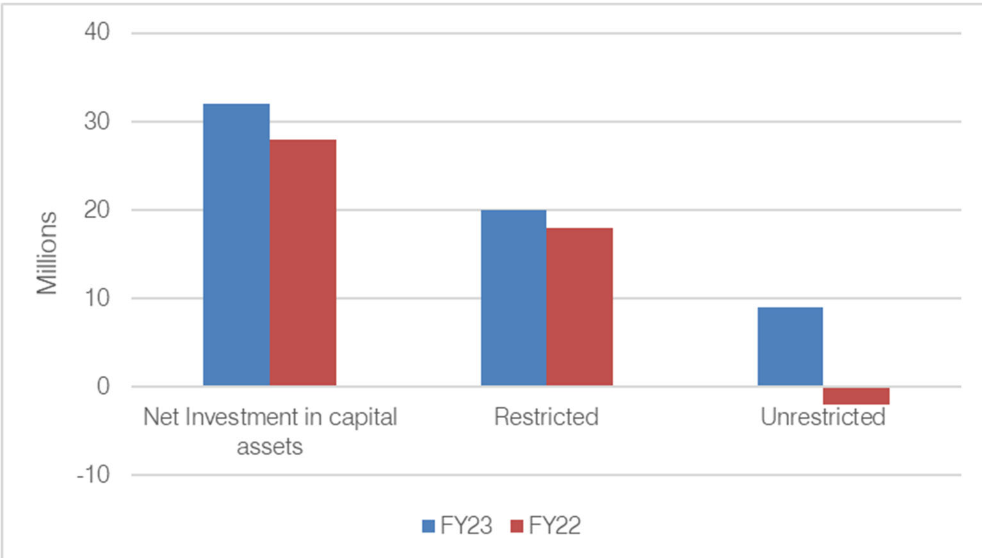
Government-wide financial analysis

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 $61,557,654.

Condensed Statement of Net Position
As of June 30, 2023 and 2022

	Governmental Activities	
	2023	2022
Current and other assets	$ 54,192,298	$40,442,033
Capital assets	57,855,962	54,378,477
Total assets	112,048,260	94,820,510
Deferred outflows of resources		
Total deferred outflows of resources	5,468,075	5,350,020
Long-term liabilities outstanding	51,324,468	46,896,415
Other liabilities	3,616,435	3,484,851
Total liabilities	54,940,903	50,381,266
Deferred inflows of resources		
Total deferred inflows of resources	1,017,778	5,728,639
Net position:		
Net investment in capital assets	32,327,281	28,469,927
Restricted	20,067,317	17,962,351
Unrestricted (deficit)	9,163,056	(2,371,653)
Total net position	$ 61,557,654	$44,060,625

Net Position
June 30, 2023 and 2022



The County's net position includes its net investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure, and intangibles). 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 $11,534,709, from $(2,371,653) at June 30, 2022, to $9,163,056 at June 30, 2023, primarily because of an increase in the general fund unassigned fund balance and changes in cash and investments due to increases in charges for services, grants and contributions, investment earnings, and both county and jail district sales taxes.

Current and other assets, related to government activities, increased $13,750,265, or 34.0 percent, as compared to the previous fiscal year. This was primarily because of an increase in cash of $12,105,606, along with the recording of the opioid settlement receivable of $896,194. The increase in cash was largely influenced by the increase in general fund cash as sales taxes and investment earnings increased over the previous year and total revenues exceeded total expenses. Capital assets increased by $3,477,485 this fiscal year as new assets placed in service and construction in progress increases exceeded depreciation of all assets.

Deferred outflows of resources remained almost unchanged, with a $118,055, or 2.2 percent increase, but deferred inflows of resources decreased $4,710,861, or 82.2 percent. These changes were due mainly to changes in pension plan assumptions by the various plan actuaries as well as increased County pension contributions as the County continued to work to pay down unfunded liabilities.

Long-term liabilities increased $4,428,053 with an increase of $4,681,157 in net pension liability to $24,295,515 for its employees at year-end. Financed purchases decreased $71,374 and total bonds payable decreased $868,935 due to scheduled payments throughout the year. Subscription liabilities increased $560,440 with the implementation of GASB 96, Subscription Based Information Technology Arrangements. Other liabilities increased $131,584, or 3.8 percent, mainly because of an increase in accrued payroll and employee benefits and amounts due to other governments.

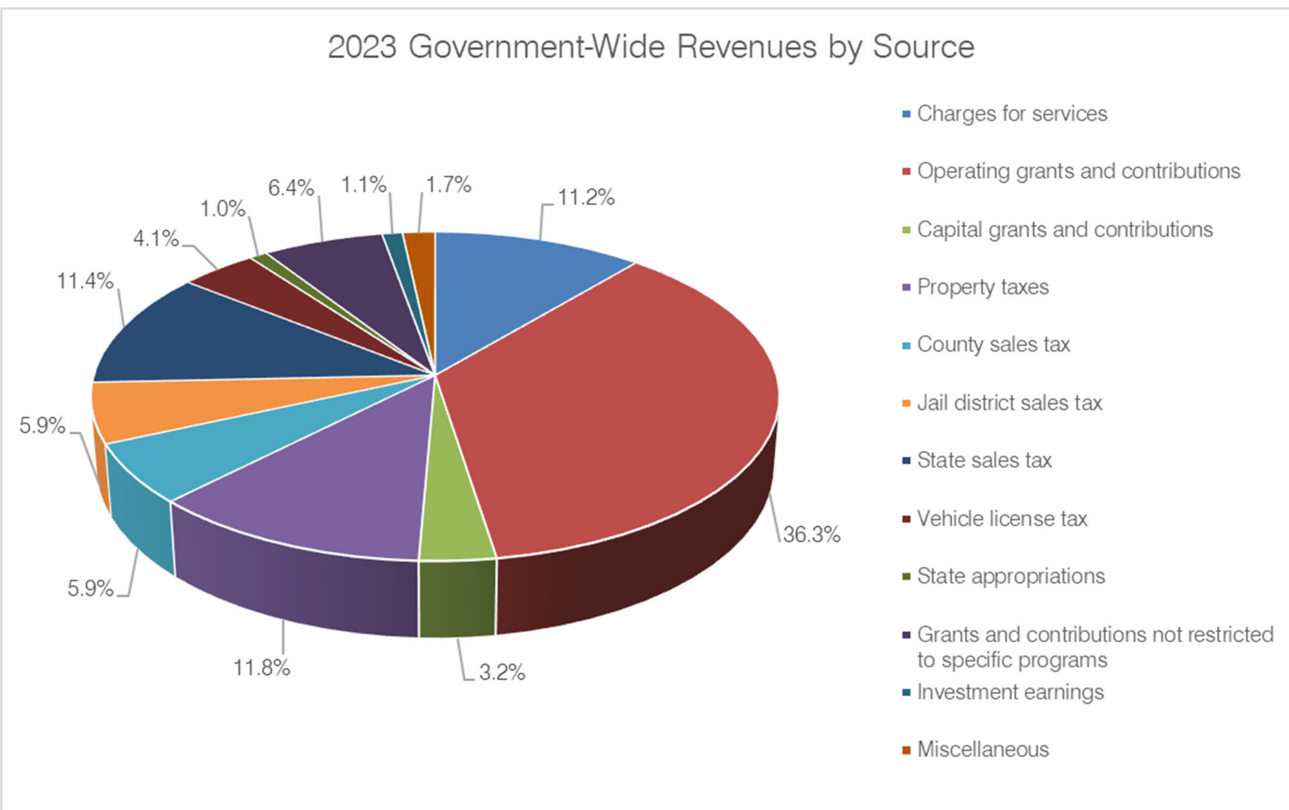
Statement of activities—Already noted was the statement of activities’ purpose in presenting information on how the County’s net position changed during the most recent fiscal year. Most sources of revenue on the statement of activities increased except for a minor decrease in shared revenue for state sales taxes that decreased $1,725 or 0.03 percent. The net result was an increase in revenue of $15,141,157 or 36.5 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, 2023 and 2022

	Governmental Activities	
	2023	2022
Revenues		
Program revenues:		
Charges for services	$ 6,361,945	$ 4,896,796
Operating grants and contributions	20,675,450	11,411,071
Capital grants and contributions	1,492,770	-
General revenues:		
Property taxes, levied for general purposes	6,702,350	6,605,947
County sales taxes, levied for general purposes	3,384,618	2,820,071
Jail District sales taxes, levied for debt service	3,375,346	2,813,966
Shared revenue-state sales taxes	6,475,161	6,476,886
Shared revenue-state vehicle license taxes	2,347,628	2,288,270
State appropriations	550,050	550,050
Grants and contributions not restricted to specific programs	3,657,966	3,588,374
Investment earnings	616,821	(624,059)
Miscellaneous (including gain on disposal of capital assets)	982,194	653,770
Total revenues	56,622,299	41,481,142

Graham County
Management's discussion and analysis
Year-ended June 30, 2023

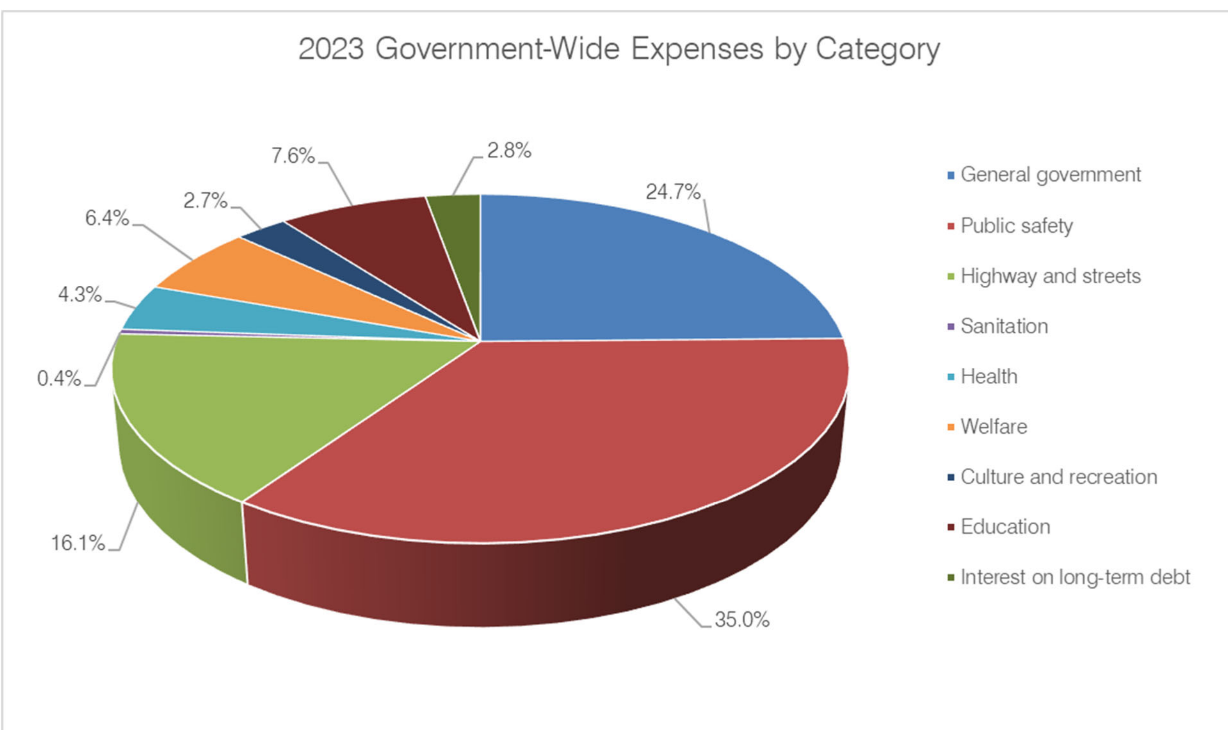
	Governmental Activities	
	2023	2022
Expenses		
General government	$ 9,640,254	$ 7,777,240
Public safety	13,680,333	11,547,697
Highway and streets	6,294,580	5,370,081
Sanitation	173,304	319,623
Health	1,691,246	1,594,425
Welfare	2,513,906	2,593,958
Culture and recreation	1,058,062	855,375
Education	2,978,577	2,679,179
Interest on long-term debt	1,095,008	1,115,744
Total expenses	39,125,270	33,853,322
Change in net position	17,497,029	7,627,820
Net position-beginning	44,060,625	36,432,805
Net position-ending	$61,557,654	$44,060,625



Governmental activities:

Governmental activities revenues totaled $56,622,299 for fiscal year 2023. The following are highlights of County revenues:

- Operating grants and contributions increased $9,264,379, or 81.2 percent. In fiscal year 2023, the County recognized $6,423,270 more in American Rescue Plan Act/Local Area Tribal Consistency Funds and $325,158 more in public safety recruitment/retention funding from the State than the prior year. In addition, $346,780 for a Rural Diversion and Prosecution grant, $250,000 for Opioid Abatement for the Sheriff's Office, and $225,046 in CDBG funding; no funding was received for these items in fiscal year 2022. For a grant focused on an Interoperability Communication System, $525,070 more was received in 2023 than 2022. Also, the Adult Detention facility earned $185,663 more in 2023 for housing federal inmates.
- Charges for services increased $1,465,149, or 29.9 percent. The main source of the increase was $1,156,510 in Opioid settlement revenues.
- Capital grants and contributions increased by $1,492,770, or 100 percent, resulting from funding from the Arizona Department of Transportation for Cottonwood Wash Road and Golf Course Road Safety Improvements. There were no capital contributions received during fiscal year 2022.
- Graham County benefited from high retail and online sales in the economy. County sales tax increased $564,547, or 20.0 percent and jail district sales tax increased $561,380, or 19.9 percent over 2022.
- Investment earnings increased by $1,240,880, or 198.8 percent, as both fund balances and interest rates were higher than the prior year.
- The Arizona Counties Insurance Pool provided $324,660 to rebuild a playground and canopy at the County fairgrounds following a total loss of the original due to fire. This is classified as an extraordinary item.



Expenses:

Overall expenses in governmental activities increased $5,271,948, or 15.6 percent. Spending for welfare and interest on long term debt decreased slightly. Sanitation decreased significantly, $146,319, or 45.8 percent. All other functions increased with the most substantial increases in the general government, public safety, and culture and recreation functions.

- General government expenses increased $1,863,014, or 24 percent. The largest contributing factor is the increase in personnel costs as the County adjusted employee salaries across the board. In addition, general government depreciation expenses increased $222,990 and pension expenses increased $647,714 in fiscal year 2023.
- Public safety expenses increased $2,132,636, or 18.5 percent. The largest contributing factor is the increase in jail district operations expenses which increased $760,452 in 2023. In addition, public safety pension expenses increased $1,074,176 in fiscal year 2023.
- Highway and streets expenses increased $924,499, or 17.2 percent. The largest contributing factor was from a grant started in June 2023 funded by the National Resources Conservation Service for a Gila Valley Watershed Study.
- Sanitation expenses decreased $146,319, or 45.8 percent which was almost exclusively due to a decrease in depreciation expense. Transfer site assets added in fiscal year 2022 had almost full depreciation recorded in 2022.
- Health expenses increased $96,821, or 6.1 percent. The main factor was health pension expenses which increased $74,264 in fiscal year 2023.
- Culture and recreation expenses increased $202,687, or 23.7 percent. The largest contributing factors were an increase in fair expenses of $131,555 and an increase of $42,754 in depreciation expenses.
- Education expenses increased $299,398, or 11.2 percent. Expenses for the Dan Hinton Accommodation School increased $158,133, or 8.6 percent, and pension contributions increased $99,531 in fiscal year 2023.

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. On June 30, 2023, the general fund's unassigned fund balance was $24,825,553 which was an increase of $9,935,360 from the prior fiscal year. Revenues were more than expenditures by $12,318,522 in the general fund (prior to any other financing sources or uses). Revenues were $1,422,340 more than the previous fiscal year with only slight decreases in charges for services, fines and forfeits, and miscellaneous revenues. The most significant increases were county sales taxes of $564,547, intergovernmental revenues of $334,063 and investment earnings of $377,518.

The highway road fund receives the County's share of the highway users revenue funds collected and distributed by the State of Arizona for the purposes of maintaining and improving the roads under the County's care. The fund balance for the highway road fund decreased $303,806, or 5.0 percent, this fiscal year to $5,800,203. Charges for services revenues saw the largest decrease of $151,691, or 97.9 percent. There was also a minor decrease in intergovernmental revenues. Investment earnings and miscellaneous revenues saw large increases of $224,874, or 200.1 percent and $227,522, or 145.3 percent, respectively. Highway expenses in total increased by $1,078,236 or 24.7 percent, the main contributing factor was an increase in capital outlay of $724,276, or 209.0 percent, following a decrease in capital outlay between fiscal year 2021 and 2022 of 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 2023 this transfer totaled $3,214,562, a $95,327 increase over the previous year. The transfer varies each year based on calculations tied to the lower of the property tax maximum or changes in the U.S. gross domestic product. The jail district operations fund balance increased $318,130 this fiscal year to end with a balance of $866,694. The largest revenue increase was $362,253 from contracts with both the U.S. Marshals and the Bureau of Indian Affairs to house federal detainees. There was also a $183,697 increase in charges for services revenues, mainly from housing inmates from both Gila and Greenlee counties for the second year. Investment earnings also increased by $16,458, or 145.0 percent due to higher interest rates and a higher fund balance. In addition, expenses in the jail district operations fund increased $772,716, or 22.0 percent. The main factor was an increase in personnel expenses of $588,884, or 23.2 percent.

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 $3,375,346, an increase of $561,380 or 19.9 percent. A principal payment of $830,000 was made toward the outstanding bonds, as well as $1,075,244 in bond interest payments.

The American Rescue Plan and Local Assistance and Tribal Consistency Fund is a major fund consisting of two different funding sources which were both used for the same purpose. The fund was established during the prior year to account for the Coronavirus State and Local Fiscal Recovery Funds authorized under the American Rescue Plan Act (ARPA) of 2021. The County received $7,543,632 with half, $3,771,816, received in fiscal year 2022 and the remainder received in fiscal year 2023. In addition, the Local Area Tribal Consistency Fund (LATCF) monies were authorized during the current fiscal year and the County will receive $7,032,662 with half, $3,516,331 received during fiscal year 2023 and the remainder to be received in fiscal year 2024. During the current year, the funds recognized revenues and expenditures in the amount of $7,608,723 to mitigate the fiscal effects stemming from the public health emergency with respect to the Coronavirus Disease (COVID-19). At fiscal year end, the ARPA funds were fully expended but $2,643,233 was reported as unearned revenues representing the LATCF 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 increased by $2,295,099, or 44.3 percent, the second consecutive year for an increase. Total revenues increased by $3,363,681, or 40.5 percent. Fines and forfeits revenues increased $289,802, or 902.9 percent due to the Opioid settlement revenues of $286,519. Investment earnings increased $263,863, or

170.8 percent due to higher interest rates and fund balances. Donations increased $190,310, or 71.7 percent lead by a large donation from United Way for an economic development grant. Expenditures increased by $2,011,473, or 23.6 percent with the largest increase in highways and streets related to the education expenses related to spending for a Gila Valley Watershed Study grant funded by the National Resources Conservation Service. Capital Outlay expenses also increased in fiscal year 2023 by $647,551, or 67.8 percent. The other governmental fund balance increased by $1,115,736.

General fund budgetary highlights

There were no amendments to the original revenue budget for the general fund. General fund revenues received were under the adopted budget amount by $5,693,167, or 18.5 percent . The largest negative variances from the budgeted amounts were for intergovernmental revenues resulting in a 32.7 percent variance. We had originally budgeted to receive $6,589,363 in Local Area Tribal Consistency Fund revenues in general fund, but these revenues were appropriately received into the ARPA/LATCF fund. Miscellaneous revenues were $228,715, or 82.4 percent under budget. The budget included an expected insurance reimbursement, however, the insurance rebuilt the playground rather than reimbursing the County. Other amounts in which receipts fell below budgeted amounts were: fines and forfeits resulting in a 33.7 percent variance as both justice court revenues and bond forfeitures were lower than anticipated; rental revenue was lower resulting in a 22.2 percent variance, and charges for services which were 0.9 percent below budget. Investment earnings were $79,784, or 128.0 percent above budget as both interest rates and fund balances were higher. County sales taxes again setting record highs, were $3,384,618, or 35.4 percent higher as the County continued to receive record high sales taxes due to stronger than forecasted retail sales. Licenses and permits were $153,442, or 77.4 percent above budget due to an increase in planning and zoning permit fees. Property taxes were slightly above budget, by $41,231, which equated to 0.6 percent. Lastly, donations were $12,470, or 24.7 percent above budget.

The general fund expenditure budget of $42,456,658 was also not amended in total this fiscal year. General fund expenditures were less than the final budget by $29,734,650, or 70.0 percent. The largest favorable expenditure variances were $18,413,566 in unspent contingency and $4,123,609 in miscellaneous as general fund salaries and benefits were paid for with American Rescue Plan Act and Local Area Tribal Consistency Fund revenues. Other significant favorable expenditure variances, as compared to the budget, incurred in the general government function were: $124,023 by the assessor' department, $121,630 by justice court, $237,888 by the attorney's department, all of which had staffing vacancy savings. Information technology had a favorable variance of $750,176, or 42.2 percent compared to budget as professional services and license fees were lower than anticipated. The public safety, sanitation, health, welfare, cultural and recreation, and education functions all had a large, favorable expenditure variances compared to the budget. For all of these functions, actuals were less than budgets because general fund salaries and benefits were paid for with American Rescue Plan Act and Local Area Tribal Consistency Funds.

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, 2023, amount to $57,855,962 (net of accumulated depreciation/amortization). The increase of $3,477,485 is due primarily to the increase in infrastructure assets and the recording of intangible assets, required by the implementation of GASB 96, Subscription-Based Information Technology Arrangements.

Graham County's Capital Assets
(Net of depreciation)

	Governmental Activities	
	2023	2022
Land	$ 3,481,430	$ 3,481,430
Buildings	26,371,796	26,967,626
Machinery and equipment	3,849,463	2,796,362
Infrastructure	21,283,914	20,056,050
Intangible assets	776,093	
Construction in progress	2,093,266	1,077,009
Total	$57,855,962	$54,378,477

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 $51,324,468, an increase of $4,428,053 from fiscal year 2022. The largest change was an increase in net pension liability of $4,681,157. The two largest components of the long-term liabilities include $23,765,000 in revenue bonds payable and $24,295,515 for net pension liability. Also included in long-term liabilities is $1,424,832 for the future payment of compensated absences for unused employee vacation and sick leave, financed purchases of $541,351, subscriptions liability of $560,440, unamortized bond premium of $661,890, and landfill post-closure care costs of $75,440.

Additional information on the County's long-term debt can be found in Note 7 to the financial statements on pages 21 – 23.

Economic factors and next year's budget and rates

- The unemployment rate as of June 2023 for Graham County was 4.5 percent, which was an increase from 3.6 percent a year ago. The County rate was higher than both the State of Arizona rate at 3.5 percent and the national rate at 3.6 percent.
- State shared revenues had increased yearly from 2016 to 2022 but resulted in a slight decline in 2023 and on pace to decline again in 2024. At the local level, Graham County has been seeing record-high County sales taxes increasing since 2018. They are on pace to increase again in 2024, although the increase is smaller than in previous years. These factors indicate that although the local and state economy are healthy, there is a slowdown.
- As Graham County has high general fund reserves, and the economy in rural Arizona is still going strong, 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. During fiscal year 2023, the County has continued to make progress on catching up on years of maintenance work on County buildings

and facilities as well as other projects that had 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 third year in a row, although the decrease will likely be ending soon. 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 both the executive branch and JLBC are forecasting funding shortfalls for fiscal years 2024 and 2025 although they do not agree on the degree of the shortfalls. Based on past experience with budget shortfalls, the County is concerned that there will be a trend toward 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.

These factors were considered in preparing Graham County's budget for the 2024 fiscal year. The unassigned ending fund balance in the general fund of $24,825,553 was appropriated for spending in the 2023-2024 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 fifth consecutive year. The County lowered the general fund property tax rate from 2.2379 to 2.2179, which was at the Truth in Taxation Rate for the fiscal year 2024. This was the fifth consecutive year in which the County lowered the general fund property tax rate.

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, 2023

	Governmental activities
Assets	
Cash, cash equivalents, and investments	$ 39,932,455
Receivables (net of allowance of uncollectibles)	
Property taxes	221,784
Accounts	7,717
Settlements	896,194
Due from other governments	3,617,427
Investments held by trustee—restricted	8,590,878
Inventories	431,254
Prepaid expenses	380,918
Net pension assets	113,671
Capital assets, not being depreciated	5,574,696
Capital assets, being depreciated, net	52,281,266
Total assets	112,048,260
Deferred outflows of resources	
Deferred outflows related to pensions	5,468,075
Total deferred outflows of resources	5,468,075
Liabilities	
Accounts payable	142,112
Accrued payroll and employee benefits	627,944
Due to other governments	167,146
Unearned revenues	2,679,233
Noncurrent liabilities	
Due within 1 year	2,321,675
Due in more than 1 year	49,002,793
Total liabilities	54,940,903
Deferred inflows of resources	
Deferred inflows related to pensions	1,017,778
Total deferred inflows of resources	1,017,778
Net position	
Net investment in capital assets	32,327,281
Restricted for:	
Highways and streets	5,800,203
Debt service	10,543,027
Other purposes	3,724,087
Unrestricted	9,163,056
Total net position	$ 61,557,654

See accompanying notes to financial statements.

Graham County
Statement of activities
Year ended June 30, 2023

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	$ 9,640,254	$ 3,233,194	$ 9,475,642		$ 3,068,582
Public safety	13,680,333	835,236	4,197,090		(8,648,007)
Highways and streets	6,294,580	3,218	4,495,888	$ 1,492,770	(302,704)
Sanitation	173,304		77,501		(95,803)
Health	1,691,246	76,050	1,358,732		(256,464)
Welfare	2,513,906				(2,513,906)
Culture and recreation	1,058,062	267,735	534,544		(255,783)
Education	2,978,577	1,946,512	536,053		(496,012)
Interest on long-term debt	1,095,008				(1,095,008)
Total governmental activities	$ 39,125,270	$ 6,361,945	$ 20,675,450	$ 1,492,770	(10,595,105)

General revenues:	
Taxes:	
Property taxes, levied for general purposes	6,702,350
County sales taxes, levied for general purposes	3,384,618
Jail District sales tax, levied for debt service	3,375,346
Shared revenue—State sales tax	6,475,161
Shared revenue—State vehicle license tax	2,347,628
State appropriations	550,050
Grants and contributions not restricted to specific programs	3,657,966
Investment earnings	616,821
Miscellaneous	982,194
Total general revenues	28,092,134
Change in net position	17,497,029
Net position, July 1, 2022	44,060,625
Net position, June 30, 2023	$ 61,557,654

See accompanying notes to financial statements.

Graham County
Balance sheet
Governmental funds
June 30, 2023

	General Fund	Highway Road Fund	Jail District Operations Fund	Jail District Debt Service Fund	American Rescue Plan Act & Local Assistance and Tribal Consistency Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Cash, cash equivalents, and investments	$ 23,741,087	$ 5,058,017	$ 910,940	$ 1,359,887	$ 2,643,741	$ 6,218,783	$39,932,455
Investments held by trustee				8,590,878			8,590,878
Receivables (net of allowance for uncollectibles)							
Property taxes	215,989					5,795	221,784
Accounts						7,717	7,717
Settlements						896,194	896,194
Due from other governments	1,598,157	378,119	69,375	592,262		979,514	3,617,427
Inventories		431,254					431,254
Prepaid items	353,864		15,567			11,487	380,918
Total assets	25,909,097	5,867,390	995,882	10,543,027	2,643,741	8,119,490	54,078,627
Liabilities							
Accounts payable	27,611		5,316			109,185	142,112
Accrued payroll and employee benefits	362,324	67,187	90,122		508	107,803	627,944
Due to other governments	143,337					23,809	167,146
Unearned revenues	2,250		33,750		2,643,233		2,679,233
Total liabilities	535,522	67,187	129,188		2,643,741	240,797	3,616,435
Deferred inflows of resources							
Unavailable revenue—property taxes	194,158					4,724	198,882
Unavailable revenue—intergovernmental						345,770	345,770
Unavailable revenue—settlements						869,991	869,991
Total deferred inflows of resources	194,158					1,220,485	1,414,643
Fund balances							
Nonspendable	353,864	431,254	15,567			11,487	812,172
Restricted		5,368,949	851,127	10,543,027		3,252,568	20,015,671
Committed						666,060	666,060
Assigned						2,728,093	2,728,093
Unassigned	24,825,553						24,825,553
Total fund balances	25,179,417	5,800,203	866,694	10,543,027		6,658,208	49,047,549
Total liabilities, deferred inflows of resources, and fund balances	$ 25,909,097	$ 5,867,390	$ 995,882	$ 10,543,027	$ 2,643,741	$ 8,119,490	$54,078,627

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, 2023

Fund balances—total governmental funds		$ 49,047,549
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	$ 104,544,254	
Accumulated depreciation	(46,688,292)	57,855,962
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		1,414,643
Net pension assets held in trust for future benefits are not available for county operations and, therefore, are not reported in the funds.		113,671
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	(23,765,000)	
Bond premium	(661,890)	
Net pension liability	(24,295,515)	
Compensated absences payable	(1,424,832)	
Financed purchases	(541,351)	
SBITA payable	(560,440)	
Landfill liability	(75,440)	(51,324,468)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.		4,450,297
Net position of governmental activities		$ 61,557,654

See accompanying notes to financial statements.

Graham County
Statement of revenues, expenditures, and changes in fund balances
Governmental funds
Year ended June 30, 2023

	General Fund	Highway Road Fund	Jail District Operations Fund	Jail District Debt Service Fund	American Rescue Plan Act & Local Assistance and Tribal Consistency Fund	Other governmental funds	Total governmental funds
Revenues:							
Property taxes	$ 6,512,728					$ 217,390	$ 6,730,118
County sales taxes	3,384,618			$ 3,375,346			6,759,964
Licenses and permits	153,442						153,442
Intergovernmental	13,213,604	$ 4,511,681	$ 852,282		$ 7,534,021	7,471,059	33,582,647
Charges for services	1,463,919	3,218	512,635			2,707,050	4,686,822
Fines and forfeits	139,963					321,899	461,862
Investment earnings	79,784	112,468	5,107	235,415	74,702	109,345	616,821
Rents	31,116					158,712	189,828
Miscellaneous	48,885	384,121	10,824			220,013	663,843
Donations	12,470					455,724	468,194
Total revenues	25,040,529	5,011,488	1,380,848	3,610,761	7,608,723	11,661,192	54,313,541
Expenditures:							
Current:							
General government	3,892,033				4,459,105	871,304	9,222,442
Public safety	2,892,829		4,265,016		2,749,607	2,649,950	12,557,402
Highways and streets		4,277,988				774,626	5,052,614
Sanitation	70,556				19,213	77,564	167,333
Health	64,923				64,281	1,492,390	1,621,594
Welfare	2,513,906						2,513,906
Culture and recreation	369,077				123,296	429,340	921,713
Education	94,744				193,221	2,630,250	2,918,215
Debt service:							
Principal	315,965	75,342		830,000			1,221,307
Interest and other charges	8,869	10,895		1,075,244			1,095,008
Capital outlay	2,499,105	1,070,857	12,264			1,602,909	5,185,135
Total expenditures	12,722,007	5,435,082	4,277,280	1,905,244	7,608,723	10,528,333	42,476,669
Excess (deficiency) of revenues over expenditures	12,318,522	(423,594)	(2,896,432)	1,705,517		1,132,859	11,836,872
Other financing sources (uses):							
Subscription-based information technology arrangements	864,612	15,760					880,372
Sale of capital assets	193	81,920				7,110	89,223
Transfers in	45,904		3,214,562			23,907	3,284,373
Transfers out	(3,235,940)	(293)				(48,140)	(3,284,373)
Total other financing sources (uses)	(2,325,231)	97,387	3,214,562			(17,123)	969,595
Net change in fund balances	9,993,291	(326,207)	318,130	1,705,517		1,115,736	12,806,467
Fund balances, July 1, 2022	15,186,126	6,104,009	548,564	8,837,510		5,542,472	36,218,681
Changes in nonspendable resources:							
Increase in inventories		22,401					22,401
Fund balances, June 30, 2023	$ 25,179,417	$ 5,800,203	$ 866,694	$ 10,543,027	$ -	$ 6,658,208	$ 49,047,549

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, 2023

Net change in fund balances—total governmental funds		$12,806,467
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	$ 5,185,135	
Less current year depreciation/amortization	(2,960,378)	2,224,757
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		(564,702)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Intergovernmental revenues	123,608	
Settlement revenues	869,991	
Capital contributions	1,817,430	2,811,029
Collections of revenues in the governmental funds exceeded revenues reported in the statement of activities		
Property taxes		(27,768)
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	2,896,512	
Pension expense	(3,162,489)	
State's nonemployer pension contributions	237,718	(28,259)
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.		
SBITA agreements	(880,372)	
Amortization of bond premium	38,935	
Principal payments on long-term (bond) debt	830,000	
Principal payments on long-term (financed purchases) debt	71,374	
Principal payments on long-term (SBITA) debt	319,932	379,869
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available.		
Increase in compensated absences	(125,694)	
Increase in landfill closure and postclosure care costs	(1,071)	(126,765)
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.		
Decrease in inventories		22,401
Change in net position of governmental activities		$ 17,497,029

See accompanying notes to financial statements.

Graham County
Statement of fiduciary net position
Fiduciary funds
June 30, 2023

	Private-purpose trust funds	Custodial funds: External investment pool	Custodial funds: Other
Assets			
Cash, cash equivalents, and investments	$ 137,404	$ 37,940,000	$ 628,744
Property tax receivable for other governments			804,436
Total assets	137,404	37,940,000	1,433,180
Liabilities			
Due to others			191,496
Due to other governments			138,384
Total liabilities			329,880
Net position			
Restricted for:			
Pool participants		37,940,000	
Individuals, organizations, and other governments	137,404		1,103,300
Total net position	$ 137,404	$ 37,940,000	$ 1,103,300

See accompanying notes to financial statements.

Graham County
Statement of changes in fiduciary net position
Fiduciary funds
Year ended June 30, 2023

	Private-purpose trust funds	Custodial funds: External investment pool	Custodial funds: Other
Additions:			
Contributions from pool participants		$ 101,282,641	
Property tax collections for other governments			$ 19,189,573
Investment earnings		(743,846)	1,552
Inmate collections			242,540
Other	$ 222,581		214,537
Total additions	222,581	100,538,795	19,648,202
Deductions:			
Distributions to pool participants		91,967,860	
Property tax distributions to other governments			19,311,028
Payments to inmates			232,033
Other	216,258		499,040
Total deductions	216,258	91,967,860	20,042,101
Net increase (decrease) in fiduciary net position	6,323	8,570,935	(393,899)
Net position, July 1, 2022	131,081	29,369,065	1,497,199
Net position, June 30, 2023	$ 137,404	$ 37,940,000	$ 1,103,300

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, 2023, the County implemented the provisions of GASB Statement No. 96, Subscription-Based Information Technology Arrangements, which (1) defines a subscription-based information technology arrangement (SBITA); (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. As a result, the County's financial statements have been modified to reflect the implementation of this new standard.

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 and Local Assistance and Tribal Consistency 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 and subscription-based information technology arrangements 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/amortization 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
Intangibles:			
Right-to-use subscription assets	25,000	Straight-line	Varies

Intangible right-to-use subscription assets are amortized over the shorter of the subscription term or the useful life of the underlying IT assets.

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 government 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

M. Subscription-based information technology arrangements

The County recognizes subscription liabilities with an initial, individual value of $25,000 or more. The County uses its estimated incremental borrowing rate to measure subscription liabilities unless it can readily determine the interest rate implicit in the arrangement. The County's estimated incremental borrowing rate is based on the County's existing bond interest rates ranging from 3.5% to 5%.

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, 2023, the carrying amount of the County’s deposits was $1,819,315, and the bank balance was $3,890,263. The County does not have a formal policy with respect to custodial credit risk.

Investments—The County had total investments of $85,388,082 at June 30, 2023. 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	$39,719,117		$39,719,117
Negotiable certificates of deposit	16,644,526	$16,644,526	
Money market funds with trustee	8,590,878	8,590,878	
Total investments categorized by fair value level	$64,954,521	$25,235,404	$39,719,117
External investment pools measured at fair value			
State Treasurer's investment pools	$20,433,561		
Total investments	$85,388,082		

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. 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, 2023, credit risk for the County's investments was as follows:

Investment type	Rating	Rating agency	Amount
U.S. agency securities	aa	Moody's	$39,719,117
Negotiable certificates of deposit	Unrated	Not applicable	16,644,526
Money market funds with trustee	AAAm	Standard & Poor's	8,590,878
State Treasurer's investment pool 7	Unrated	Not applicable	4,207,839
State Treasurer's investment pool 5	AAAf/S1+	Standard & Poor's	16,225,722
Total			$85,388,082

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, 2023, 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, 2023, of 5 percent or more in Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal Farm Credit Bank. These investments were 24.9 percent, 8.12 percent, and 7.78 percent, respectively, of the County's total investments.

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

At June 30, 2023, the County had the following investments in debt securities:

Investment type	Amount	Weighted average maturity (in years)
U.S. agency securities	$39,719,117	1.54
Negotiable certificates of deposit	16,644,526	1.96
Money market funds with trustee	8,590,878	0.06
State Treasurer's investment pool 7	4,207,839	0.10
State Treasurer's investment pool 5	16,225,722	0.11
Total	$85,388,082	

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

Cash, deposits, and investments:

Cash on hand	$ 22,084
Amount of deposits	1,819,315
Amount of investments	85,388,082
Total	$87,229,481

	Governmental activities	Private purpose trust funds	Custodial funds: External investment pools	Custodial funds: Other	Total
Statement of net position:					
Cash, cash equivalents, and investments	$39,932,455	$137,404	$37,940,000	$628,744	$78,638,603
Investments held by trustee—restricted	8,590,878				8,590,878
Total	$48,523,333	$137,404	$37,940,000	$628,744	$87,229,481

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, $1,617 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, $446,876 of deposits, $44,665 of investments in the State Treasurer's investment pools, and $8,590,878 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	$16,057,884	None stated	None stated	$16,159,622
State Treasurer's investment pool 7	4,189,438	None stated	None stated	4,207,839
Negotiable certificates of deposit	17,394,000	0.2-5.05%	07/23 – 05/27	16,644,526
U.S. agency securities	40,843,746	0.20-5.7%	07/23 – 05/27	39,719,117

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

Statement of fiduciary net position	
Assets	$ 78,146,112
Liabilities	329,880
Net position	$ 77,816,232
Net position held for:	
Internal participants	$ 39,939,385
External participants	37,876,847
Total net position held in trust	$ 77,816,232
Statement of fiduciary changes in net position	
Total additions	$162,998,435
Total deductions	142,213,028
Net increase	20,785,407
Net position	
July 1, 2022	57,030,825
June 30, 2023	$ 77,816,232

Note 4 – Due from other governments

Amounts due from other governments at June 30, 2023, 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	$ 920,892					$ 920,892
County sales tax	593,623					593,623
Jail district sales tax				$592,262		592,262
State-shared vehicle license tax	58,633	$ 46,313				104,946
Highway user revenue		312,568				312,568
Grants and contributions from local, state and federal governments	10,645				$979,514	990,159
Reimbursement for services provided for governmental units	14,364		$69,375			83,739
Miscellaneous reimbursements		19,238				19,238
	$1,598,157	$378,119	$69,375	$592,262	$979,514	$3,617,427

Note 5 – Capital assets

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	$ 3,481,430			$ 3,481,430
Construction in progress	1,077,009	$ 4,258,071	$3,241,814	2,093,266
Total capital assets not being depreciated/amortized	4,558,439	4,258,071	3,241,814	5,574,696
Capital assets being depreciated/amortized:				
Buildings	38,568,340	334,355		38,902,695
Machinery and equipment	16,410,300	1,994,235	477,543	17,926,992
Infrastructure	39,045,414	2,135,234		41,180,648
Intangibles: Right-to-use subscription assets		959,223		959,223
Total of assets being depreciated/amortized	94,024,054	5,423,047	477,543	98,969,558
Less accumulated depreciation/amortization for:				
Buildings	11,600,714	930,185		12,530,899
Machinery and equipment	13,613,938	939,693	476,102	14,077,529
Infrastructure	18,989,364	907,370		19,896,734
Intangibles: Right-to-use subscription assets		183,130		183,130
Total	44,204,016	2,960,378	476,102	46,688,292
Total capital assets being depreciated/amortized, net	49,820,038	2,462,669	1,441	52,281,266
Governmental activities capital assets, net	$54,378,477	$6,720,740	$3,243,255	$57,855,962

Depreciation/amortization expense was charged to functions as follows:

Governmental activities:	
General government	$ 480,418
Public safety	945,560
Highways and streets	1,275,194
Sanitation	4,900
Health	51,850
Culture and recreation	132,033
Education	70,423
Total governmental activities depreciation/amortization expense	$2,960,378

Five road projects, totaling $2,077,525 were the majority of the $2,135,234 in infrastructure assets additions during the fiscal year. The largest of these projects were Golf Course Road safety improvements and Cottonwood Wash Road safety improvements, of which $1,492,770 of the $1,694,255 cost of these two projects were paid for by the Arizona Department of Transportation with federal dollars.

The Fort Thomas Bridge Crossing project was cancelled due to the inability to proceed due to water levels in the Gila River. This resulted in $555,676 in construction in progress being decreased.

There was a $487,465 increase in construction in progress for a school safety alert system and $719,124 for a public safety system project, both anticipated to be completed in fiscal year 2024.

The rebuilding of the playground and canopy at the fairgrounds was completed with $324,660 covered with insurance proceeds from the fire the previous year.

The $1,994,235 increase in machinery and equipment is comprised of 60 assets including: $769,521 for 12 vehicles (6 new and 6 used); $378,278 for a Cat 950 Loader; $164,553 in safety equipment, including $121,262 for a video surveillance system in the adult detention center; $101,940 in assets to upgrade the 9-1-1 system, 50-percent paid by an Emergency Preparedness Grant.

Note 6 – Construction and other commitments

On July 1, 2022, a contractual commitment was entered into between the County and Motorola Solutions related to a Public Safety Communication System Refresh project. The project costs are $2,047,297. The payment terms of the contract are 25 percent due upon contract execution (due upon invoice receipt). A total of $719,123 in payments were made in fiscal year 2023. 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 more likely that the 60 percent due from staging will fall into fiscal year 2024. It is unknown whether the final 25 percent will fall into fiscal year 2024 or 2025. The $719,123 previously paid was funded by the General fund. The remaining amount owed is being funded by a grant by the Arizona Department of Emergency and Military Affairs.

There are also substantial post-warranty maintenance cost estimates that are also a 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

Note 7 – Long-term liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2023:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due within 1 year
Governmental activities					
Bonds payable:					
Revenue bonds	$24,595,000		$ 830,000	$23,765,000	$ 870,000
Premium on bonds	700,825		38,935	661,890	38,934
Total bonds payable	25,295,825		868,935	24,426,890	908,934
Compensated absences payable	1,299,138	$1,109,311	983,617	1,424,832	997,382
Financed purchases	612,725		71,374	541,351	156,577
Subscriptions liability		880,372	319,932	560,440	255,548
Net pension liability	19,614,358	4,681,157		24,295,515	
Landfill closure and post-closure care costs payable	74,369	3,971	2,900	75,440	3,234
Total governmental activities long-term liabilities	$46,896,415	$6,674,811	$2,246,758	$51,324,468	$2,321,675

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 2023 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 2023, $3,375,346 of pledged revenues were recognized. Interest payments of $1,075,244 and principal payments of $830,000 were due in fiscal year 2023. The final bond principal and interest payments will be made on July 1, 2040.

The following bond was outstanding at June 30, 2023:

Description	Amount issued	Maturity ranges	Interest rates	Outstanding Principal
Revenue bonds	$26,340,000	7/1/2023-7/1/2040	3.500%-5.000%	$23,765,000

The following schedule details debt service requirements to maturity for the County's bond payable at June 30, 2023:

	Governmental activities Revenue bonds	
Year ending June 30	Principal	Interest
2024	$ 870,000	$ 1,032,744
2025	915,000	988,119
2026	960,000	941,244
2027	1,010,000	891,994
2028	1,060,000	840,244
2029-2033	6,080,000	3,402,856
2034-2038	7,540,000	1,916,877
2039-2041	5,330,000	335,775
Total	$23,765,000	$10,349,853

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, 2023:

	Governmental activities	
Year ending June 30	Principal	Interest
2024	$156,577	$ 8,346
2025	125,601	3,698
2026	11,672	
2027	11,614	
2028	11,556	
2029-33	56,918	
2034-38	55,509	
2039-43	54,135	
2044-48	52,795	
2049 and thereafter	4,974	
Total	$541,351	$12,044

Subscription-based information technology arrangements (SBITAs)—The County has obtained the right to use IT software and subscriptions under the provisions of various subscription-based information technology arrangements. These assets include enterprise applications, security and storage applications, telephone systems, and vehicle tracking systems for both the Sheriff's Office and Highway Department.

The total amount of subscription assets and the related accumulated amortization are as follows:

Total intangible right-to-use subscription assets	$959,223
Less: accumulated amortization	183,130
Carrying Value	$776,093

The following schedule details minimum subscription payments to maturity for the County's subscriptions liability at June 30, 2023:

	Governmental activities	
Year Ending June 30	**Principal**	**Interest**
2024	$255,548	$27,490
2025	256,757	14,905
2026	36,419	2,168
2027	11,716	586
Total	$560,440	$45,149

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 $75,440 reported as landfill postclosure care costs payable at June 30, 2023, is based on what it would cost to perform all remaining postclosure care in fiscal year 2023. 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 2023, the County paid for compensated absences as follows: 18 percent from general fund, 10 percent from the highway road fund, 16 percent from the jail district operations fund, 38 percent from the American Rescue Plan Act/Local Area Tribal Consistency fund, and 18 percent from other governmental funds.

Note 8 – Fund balance classifications of the governmental funds

The fund balance classifications of the governmental funds as of June 30, 2023, were as follows:

	General Fund	Highway Road Fund	Jail District Operations Fund	Jail District Debt Service Fund	Other governmental funds	Total governmental funds
Fund balances:						
Nonspendable:						
Inventories		$ 431,254				$ 431,254
Prepaid items	$ 353,864		$ 15,567		$ 11,487	380,918
Total nonspendable	353,864	431,254	15,567		11,487	812,172
Restricted for:						
Social services					1,380,241	1,380,241
Law enforcement			851,127		1,066,901	1,918,028
Highways and streets		5,368,949			25,500	5,394,449
Health					556,341	556,341
Education					213,933	213,933
Debt service				$10,543,027		10,543,027
Capital outlay					9,652	9,652
Total restricted		5,368,949	851,127	10,543,027	3,252,568	20,015,671
Committed to:						
Social services					137,352	137,352
Highways and streets					528,708	528,708
Total committed					666,060	666,060
Assigned to:						
Social services					647,089	647,089
Law enforcement					269,969	269,969
Health					118,247	118,247
Culture and recreation					538,906	538,906
Education					1,123,115	1,123,115
Capital outlay					30,767	30,767
Total assigned					2,728,093	2,728,093
Unassigned:	$24,825,553					24,825,553
Total fund balances	$25,179,417	$5,800,203	$866,694	$10,543,027	$6,658,208	$49,047,549

Note 9 – Risk management

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

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

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

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

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

Note 10 – Pensions

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

At June 30, 2023, 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	$24,295,515
Net pension asset	113,671
Deferred outflows of resources	5,468,075
Deferred inflows of resources	1,017,778
Pension expense	3,162,489

The County's accrued payroll and employee benefits includes $83,687 of outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2023. Also, the County reported $2,896,512 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, 2023, statute required active ASRS members to contribute at the actuarially determined rate of 12.03 percent of the members' annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 11.92 percent of the active members' annual covered payroll. In addition, the County was required by statute to contribute at the actuarially determined rate of 9.62 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, 2023, were $1,043,776.

During fiscal year 2023, the County paid for ASRS pension contributions as follows: 15.3 percent from the General Fund, 15.8 percent from the Highway Road Fund, 2.4 percent from the Jail District Operations

Fund, 39.1 percent from the American Rescue Plan Act and Local Area Tribal Consistency Fund, and 27.4 percent from other funds.

Liability—At June 30, 2023, the County reported a liability of $11,627,950 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2022. 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, 2021, to the measurement date of June 30, 2022.

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, 2022. The County's proportion measured as of June 30, 2022, was 0.0712 percent, which was an increase of 0.0043 from its proportion measured as of June 30, 2021.

Expense—For the year ended June 30, 2023, the County recognized pension expense for ASRS of $1,617,154.

Deferred outflows/inflows of resources—At June 30, 2023, 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	$ 99,077	
Changes of assumptions or other inputs	577,117	
Net difference between projected and actual earnings on pension plan investments		$306,291
Changes in proportion and differences between County contributions and proportionate share of contributions	587,321	5,164
County contributions subsequent to the measurement date	1,043,776	
Total	$2,307,291	$311,455

The $1,043,776 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, 2024. 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	
2024	$ 925,593
2025	68,027
2026	(531,794)
2027	490,234

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

ASRS	
Actuarial valuation date	June 30, 2021
Actuarial roll forward date	June 30, 2022
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, 2021, 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. 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%	3.90%
Fixed income - credit	20%	5.30%
Fixed income - interest rate sensitive	10%	(0.20%)
Real estate	20%	6.00%
Total	100%	

Discount rate—At June 30, 2022, the discount rate used to measure the ASRS total pension liability was 7.0 percent. 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	$17,156,695	$11,627,950	$7,017,841

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 participate 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:**		
Retirement and disability	**Before January 1, 2012**	**On or after January 1, 2012 and before July 1, 2018**	**AOC probation and surveillance officers: On or after July 1, 2018**
Years of service and age required to receive benefit	Sum of years and age equals 80 25 years, any age (dispatchers) 20 years, any age (all others) 10 years, age 62	25 years, age 52.5 10 years, age 62	10 years, age 52.5* 10 or more years, age 55
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years	
Benefit percent			
Normal retirement	2.0% to 2.5% per year of credited service, not to exceed 80%	2.5% per year of credited service, not to exceed 80%	1.25% to 2.25% per year of credited service, not to exceed 80%
Accidental disability retirement	50% or normal retirement if more than 20 years of credited service	50% or normal retirement if more than 25 years of credited service	
Total and permanent disability retirement	50% or normal retirement if more than 25 years of credited service		
Ordinary disability retirement	2.5% per year of credited service		

CORP	Initial membership date:		
Retirement and disability	**Before January 1, 2012**	**On or after January 1, 2012 and before July 1, 2018**	**AOC probation and surveillance officers: On or after July 1, 2018**
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, 2023, 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	27	3
Active employees	12	9	2
Total	26	41	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, 2023, are indicated below. Rates are a percentage of active members' annual covered payroll.

	Active member—pension	County—pension
PSPSRS Sheriff	7.65%-12.01%	21.45%
CORP Detention	8.41	6.46%
CORP Dispatchers	7.96	3.86%
CORP AOC	8.41 or 10.18	36.70 or 37.74

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	11.56%	0.26%	0.00%	32.79%

The County's contributions to the plans for the year ended June 30, 2023, were:

	Pension
PSPRS Sheriff	$913,529
CORP Detention	83,153
CORP Dispatchers	4,167
CORP AOC	232,855

During fiscal year 2023, the County paid for PSPRS and CORP pension contributions as follows: 52.2 percent from the General Fund, 7.0 percent from the Jail District Operations Fund, 16.0 percent from the American Rescue Plan Act and Local Assistance and Tribal Consistency Fund, and 24.8 percent from other funds.

Liability (asset)—At June 30, 2023, the County reported the following net pension liabilities (assets):

	Net pension liability (asset)
PSPRS Sheriff	$1,393,959
CORP Detention	(56,245)
CORP Dispatchers	(57,426)
CORP AOC (County's proportionate share)	2,922,489

The net pension liabilities (assets) were measured as of June 30, 2022, and the total liability used to calculate the net pension liability (assets) was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2022, reflect changes of actuarial assumptions, including decreasing the investment rate of return from 7.3 percent to 7.2 percent, changing the wage inflation from 3.5 percent to a range of 3.0-6.25 percent, and increasing the cost-of-living adjustment from 1.75 percent to 1.85 percent.

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

PSPRS and CORP—Pension	
Actuarial valuation date	June 30, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.2%
Wage inflation	3.0-6.25%
Price inflation	2.5%
Cost-of-living adjustment	1.85%
Mortality rates	PubS-2010 tables

Actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2021.

The long-term expected rate of return on PSPRS and CORP pension plan investments was determined to be 7.2 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%	3.49%
International public equity	16%	4.47%
Global private equity	20%	7.18%
Other assets (capital appreciation)	7%	4.83%
Core bonds	2%	0.45%
Private credit	20%	5.10%
Diversifying strategies	10%	2.68%
Cash – Mellon	1%	(0.35)%
Total	100%	

Discount rate—At June 30, 2022, the discount rate used to measure the PSPRS and CORP total pension liabilities was 7.2 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2021. 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, 2022	$10,160,630	$9,016,796	$1,143,834
Changes for the year:			
Service cost	158,231		158,231
Interest on the total pension liability	737,755		737,755
Differences between expected and actual experience in the measurement of the pension liability	(75,712)		(75,712)
Changes in assumptions	85,752		85,752
Contributions—employer		961,023	(961,023)
Contributions—employee		74,924	(74,924)
Net investment income		(373,311)	(373,311)
Benefit payments, including refunds of employee contributions	(425,261)	(425,261)	
Administrative expense		(6,735)	6,735
Net changes	480,765	230,640	250,125
Balances at June 30, 2023	$10,641,395	$9,247,436	$1,393,959

CORPâDetention	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a) – (b)
Balances at June 30, 2022	$2,915,549	$3,058,164	$(142,615)
Changes for the year:			
Service cost	75,224		75,224
Interest on the total pension liability	213,487		213,487
Differences between expected and actual experience in the measurement of the pension liability	(280,709)		(280,709)
Changes in assumptions	32,555		32,555
Contributions—employer		31,831	(31,831)
Contributions—employee		38,363	(38,363)
Net investment income		(113,933)	113,933
Benefit payments, including refunds of employee contributions	(132,576)	(132,576)	
Administrative expense		(2,074)	2,074
Net changes	(92,019)	(178,389)	86,370
Balances at June 30, 2023	$2,823,530	$2,879,775	$ (56,245)

CORP—Dispatchers	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension (asset) (a) – (b)
Balances at June 30, 2022	$607,908	$755,958	$(148,050)
Changes for the year:			
Service cost	11,018		11,018
Interest on the total pension liability	45,182		45,182
Differences between expected and actual experience in the measurement of the pension liability	17,834		17,834
Changes in assumptions	(788)		(788)
Contributions—employer		3,833	(3,833)
Contributions—employee		7,705	(7,705)
Net investment income		(28,395)	28,395
Administrative expense		(521)	521
Net changes	73,246	(17,378)	90,624
Balances at June 30, 2023	$681,154	$738,580	$ (57,426)

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, 2022. The County's proportion measured as of June 30, 2022, was 0.6548 percent, which was a decrease of 0.0396 from its proportion measured as of June 30, 2021.

Sensitivity of the County's net pension liability (asset) to changes in the discount rate—The following table presents the County's net pension liabilities (assets) calculated using the discount rate of 7.2 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 (6.2 percent) or 1 percentage point higher (8.2 percent) than the current rate:

	1% decrease (6.2%)	Current discount rate (7.2%)	1% increase (8.2%)
PSPRS Sheriff			
Net pension liability	$2,942,351	$1,393,959	$ 140,793
CORP Detention			
Net pension liability/(asset)	$ 342,415	$ (56,245)	$ (379,805)
CORP Dispatchers			
Net pension liability/(asset)	$ 47,281	$ (57,426)	$ (141,446)
CORP AOC			
County's proportionate share of the net pension liability	$3,838,125	$2,922,489	$2,173,415

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, 2023, the County recognized the following pension expense:

	Pension expense
PSPRS Sheriff	$ 352,862
CORP Detention	(164,668)
CORP Dispatchers	(13,740)
CORP AOC (County's proportionate share)	(42,381)

Pension deferred outflows/inflows of resources—At June 30, 2023, 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	$ 175,388	$60,953
Changes of assumptions or other inputs	98,714	
Net difference between projected and actual earnings on pension plan investments	293,475	
County contributions subsequent to the measurement date	913,529	
Total	$1,481,106	$60,953

CORP—Detention	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 42,090	$154,213
Changes of assumptions or other inputs	16,278	
Net difference between projected and actual earnings on pension plan investments	28,459	
County contributions subsequent to the measurement date	83,153	
Total	$169,980	$154,213

CORP—Dispatchers	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$31,415	$29,192
Changes of assumptions or other inputs	3,354	526
Net difference between projected and actual earnings on pension plan investments	10,564	
County contributions subsequent to the measurement date	4,167	
Total	$49,500	$29,718

CORP—AOC	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$155,304	$ 43,172
Changes of assumptions or other inputs	95,126	
Net difference between projected and actual earnings on pension plan investments	49,458	418,267
Changes in proportion and differences between County contributions and proportionate share of contributions	7,467	
County contributions subsequent to the measurement date	232,855	
Total	$540,210	$461,439

The amounts reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase in the net pension asset or a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	PSPRS Sheriff	CORP Detention	CORP Dispatchers	CORP AOC
Year ending June 30				
2024	$235,108	$(96,064)	$ (5,282)	$(177,166)
2025	78,162	(9,210)	10,790	187
2026	(17,362)	(29,077)	(6,625)	(57,468)
2027	210,716	66,965	16,782	80,363

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, 2023, 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, 2023, 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, 2023, 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 70.42 percent of all active EORP members' annual covered payroll. Also, statute required the County to contribute 58.39 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 64.42 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 contribution to the pension plan for the year ended June 30, 2023, were $619,032.

During fiscal year 2023, the County paid for EORP pension contributions as follows: 25.0 percent from the General Fund and 2.8 percent from the Jail District Operations Fund, and 72.2 percent from the American Rescue Plan Act and Local Assistance and Tribal Consistency Fund.

Liability—At June 30, 2023, 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	$8,351,117
State's proportionate share of the EORP net pension liability associated with the County	813,128
Total	$9,164,245

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2022, reflect changes of actuarial assumptions, including decreasing the investment rate of return from 7.3 percent to 7.2 percent, decreasing the wage inflation from 3.75 percent to 3.25 percent, and increasing the cost-of living adjustment from 1.75 percent to 1.85 percent.

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, 2022. The County's proportion measured as of June 30, 2022, was 1.23696 percent, which was an increase of 0.06965 from its proportion measured as of June 30, 2021.

Expense—For the year ended June 30, 2023, the County recognized pension expense for EORP of $1,414,238 and revenue of $237,718 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, 2023, 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
Net difference between projected and actual earnings on pension plan investments	$ 75,414	
Changes in proportion and differences between County contributions and proportionate share of contributions	225,542	
County contributions subsequent to the measurement date	619,032	
Total	$919,988	

The $619,032 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, 2024. 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	
2024	$240,728
2025	724
2026	(35,545)
2027	95,049

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

EORP pension	
Actuarial valuation date	June 30, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.2%
Wage inflation	3.25%
Price inflation	2.5%
Cost-of-living adjustment	1.85%
Mortality rates	PubG-2010 tables

Actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2021.

The long-term expected rate of return on EORP pension plan investments was determined to be 7.2 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%	3.49%
International public equity	16%	4.47%
Global private equity	20%	7.18%
Other assets (capital appreciation)	7%	4.83%
Core bonds	2%	0.45%
Private credit	20%	5.10%
Diversifying strategies	10%	2.68%
Cash – Mellon	1%	(0.35)%
Total	100%	

Discount rate—At June 30, 2022, the discount rate used to measure the EORP total pension liability was 7.2 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2021. 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 7.2 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 (6.2 percent) or 1 percentage point higher (8.2 percent) than the current rate:

EORP	1% decrease (6.2%)	Current discount rate (7.2%)	1% increase (8.2%)
County's proportionate share of the net pension liability	$9,533,974	$8,351,117	$7,337,919

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, 2023, 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, 2023, the County recognized pension expense of $14,589.

Note 11 – Interfund activity

Interfund transfers—Interfund transfers for the year ended June 30, 2023, were as follows:

	Transfer to			
Transfer from	**General Fund**	**Jail District Operations Fund**	**Other Governmental Funds**	**Total**
General Fund		$3,214,562	$21,378	$3,235,940
Highway Road Fund			293	293
Other Governmental Funds	$45,904		2,236	48,140
Total	$45,904	$3,214,562	$23,907	$3,284,373

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. $3,214,562, which represents the majority of the $3,235,940 transfers from the general fund was to fund statutorily required maintenance of effort payments to the jail district operations fund.

Note 12 – Subsequent event

The County is a participant in the One Arizona Distribution of Opioid Settlement Funds Agreement, which is part of the nationwide Opioid Settlement. Under the One Arizona Opioid Settlement Memorandum of Understanding (One Arizona Plan) related to national opioid settlements, Graham County is allocated a portion of settlement monies as the cases are settled. The Arizona Attorney General's Office handles the settlements for all parties in the One Arizona Plan. After June 30, 2023, agreements were finalized with an additional five defendants which will result in additional funds of $1,115,941 over the next 15 years. Due to the on-going litigation and finalization of agreements with other defendants, additional settlements are expected to be measurable and available for subsequent reporting periods.

Other required supplementary information

Graham County
Required supplementary information
Budgetary comparison schedule
General Fund
Year ended June 30, 2023

	Budgeted amounts		Actual	Variance with
	Original	Final	amounts	final budget
Revenues:				
Property taxes	$ 6,471,497	$ 6,471,497	$ 6,512,728	$ 41,231
County sales taxes	2,500,000	2,500,000	3,384,618	884,618
Licenses and permits	86,500	86,500	153,442	66,942
Intergovernmental	19,625,470	19,625,470	13,213,604	(6,411,866)
Charges for services	1,476,629	1,476,629	1,463,919	(12,710)
Fines and forfeits	211,000	211,000	139,963	(71,037)
Investment earnings	35,000	35,000	79,784	44,784
Rents	40,000	40,000	31,116	(8,884)
Miscellaneous	277,600	277,600	48,885	(228,715)
Donations	10,000	10,000	12,470	2,470
Total revenues	30,733,696	30,733,696	25,040,529	(5,693,167)
Expenditures:				
Current				
General government				
Board of supervisors	896,326	896,326	826,952	69,374
Treasurer	410,408	410,408	363,870	46,538
Assessor	747,226	747,226	623,203	124,023
Recorder	351,318	351,318	309,223	42,095
Elections	178,905	178,905	110,288	68,617
Attorney	1,285,959	1,285,959	1,048,071	237,888
Human resources	212,262	212,262	183,539	28,723
Clerk of the court	675,186	675,186	618,704	56,482
Superior court	914,103	914,103	887,507	26,596
Justice court	730,114	730,114	608,484	121,630
Victim witness	12,951	12,951	3,190	9,761
Public fiduciary	183,557	183,557	129,063	54,494
Planning and zoning	365,454	365,454	311,349	54,105
Building maintenance	283,235	283,235	234,861	48,374
Electrical maintenance	12,643	12,643	6,292	6,351
General services	197,000	197,000	155,745	41,255
Contingency	20,819,790	18,484,255	70,689	18,413,566
Miscellaneous	495,155	495,155	(3,628,454)	4,123,609
Information technology	1,779,633	1,779,633	1,029,457	750,176
Total general government	30,551,225	28,215,690	3,892,033	24,323,657

(Continued)

See accompanying notes to budgetary comparison schedules.

Graham County
Required supplementary information
Budgetary comparison schedule
General Fund
Year ended June 30, 2023
(Continued)

	Budgeted amounts		Actual	Variance with
	Original	Final	amounts	final budget
Public safety				
Probation	$ 208,320	$ 223,320	$ 30,954	$ 192,366
Sheriff	3,935,545	4,575,545	2,093,336	2,482,209
Search and rescue	31,262	31,262	16,015	15,247
Juvenile detention center	565,338	825,338	679,905	145,433
Animal shelter	268,902	268,902	72,619	196,283
Total public safety	5,009,367	5,924,367	2,892,829	3,031,538
Sanitation				
Sanitary landfill	207,510	207,510	70,556	136,954
Health				
Health services	152,235	152,235	64,923	87,312
Welfare				
Attorney for the indigent	523,000	538,000	526,683	11,317
Indigent medical	2,037,100	2,037,100	1,987,223	49,877
Total welfare	2,560,100	2,575,100	2,513,906	61,194
Cultural and recreation				
Parks and recreation	467,093	529,974	369,077	160,897
Education				
School superintendent	299,458	304,458	94,744	209,714
Debt service				
Principal			315,965	(315,965)
Interest			8,869	(8,869)
Capital outlay	3,209,670	4,547,324	2,499,105	2,048,218
Total expenditures	42,456,658	42,456,658	12,722,007	29,734,650
Excess (deficiency) of revenues over expenditures	(11,722,962)	(11,722,962)	12,318,522	24,041,484

(Continued)

See accompanying notes to budgetary comparison schedules.

Graham County
Required supplementary information
Budgetary comparison schedule
General Fund
Year ended June 30, 2023
(Continued)

	Budgeted amounts		Actual	Variance with
	Original	Final	amounts	final budget
Other financing sources (uses):				
Subscription-based info tech agreements			$ 864,612	$ (864,612)
Proceeds from sale of capital assets			193	(193)
Transfers in	$ 810,195	$ 810,195	45,904	764,291
Transfers out	(3,235,940)	(3,235,940)	(3,235,940)	
Total other financing uses	(2,425,745)	(2,425,745)	(2,325,231)	100,514
Net change in fund balances	(14,148,707)	(14,148,707)	9,993,291	24,141,998
Fund balances, July 1, 2022	14,148,707	14,148,707	15,186,126	1,037,419
Fund balances, June 30, 2023	$ -	$ -	$ 25,179,417	$ 25,179,417

See accompanying notes to budgetary comparison schedules.

Graham County

Required supplementary information
Budgetary comparison schedule
Highway Road Fund
Year ended June 30, 2023

	Budgeted amounts Original	Budgeted amounts Final	Actual amounts	Variance with final budget
Revenues:				
Intergovernmental	$ 5,059,466	$ 5,059,466	$ 4,511,681	$ (547,785)
Charges for services	170,172	170,172	3,218	(166,954)
Investment earnings	50,000	50,000	112,468	62,468
Miscellaneous	138,000	138,000	384,121	246,121
Total revenues	5,417,638	5,417,638	5,011,488	(406,150)
Expenditures:				
Current:				
Highways and streets				
General road	7,036,188	7,017,415	3,851,826	3,165,589
Engineering	602,027	602,027	426,162	175,865
Total highways and streets	7,638,215	7,619,442	4,277,988	3,341,454
Debt service				
Principal			75,342	(75,342)
Interest			10,895	(10,895)
Capital outlay	1,660,100	1,678,873	1,070,857	608,016
Total expenditures	9,298,315	9,298,315	5,435,082	3,863,233
Excess (deficiency) of revenues over expenditures	(3,880,677)	(3,880,677)	(423,594)	3,457,083
Other financing sources (uses):				
Subscription-based info tech agreements			15,760	(15,760)
Proceeds from sale of capital assets			81,920	81,920
Transfers out	(1,617,922)	(1,617,922)	(293)	1,617,629
Total other financing uses	(1,617,922)	(1,617,922)	97,387	1,715,309
Net change in fund balances	(5,498,599)	(5,498,599)	(326,207)	5,172,392
Fund balances, July 1, 2022	5,498,599	5,498,599	6,104,009	605,410
Changes in nonspendable resources:				
Increase in inventories			22,401	22,401
Fund balances, June 30, 2023	$ -	$ -	$ 5,800,203	$ 5,800,203

See accompanying notes to budgetary comparison schedules.

Graham County

Required supplementary information
Budgetary comparison schedule
Jail District Operations Fund
Year ended June 30, 2023

	Budgeted amounts		Actual	Variance with
	Original	Final	amounts	final budget
Revenues:				
Intergovernmental	$ 653,450	$ 653,450	$ 852,282	$ 198,832
Charges for services	397,187	397,187	512,635	115,448
Investment earnings	750	750	5,107	4,357
Miscellaneous	3,000	3,000	10,824	7,824
Total revenues	1,054,387	1,054,387	1,380,848	326,461
Expenditures:				
Current:				
Public safety	5,340,903	5,340,903	4,265,016	1,075,887
Capital outlay	47,000	47,000	12,264	34,736
Total expenditures	5,387,903	5,387,903	4,277,280	1,110,623
Excess (deficiency) of revenues over expenditures	(4,333,516)	(4,333,516)	(2,896,432)	1,437,084
Other financing sources (uses):				
Transfers in	3,914,562	3,914,562	3,214,562	(700,000)
Transfers out	(214,453)	(214,453)		214,453
Total other financing sources	3,700,109	3,700,109	3,214,562	(485,547)
Net change in fund balances	(633,407)	(633,407)	318,130	951,537
Fund balances, July 1, 2022	633,407	633,407	548,564	(84,843)
Fund balances, June 30, 2023	$ -	$ -	$ 866,694	$ 866,694

See accompanying notes to budgetary comparison schedules.

Graham County
Required supplementary information
Budgetary comparison schedule
American Rescue Plan Act & Local Assistance and Tribal Consistency Fund
Year ended June 30, 2023

	Budgeted amounts		Actual	Variance with
	Original	Final	amounts	final budget
Revenues:				
Intergovernmental	$ 3,771,816	$ 3,771,816	$ 7,534,021	$ 3,762,205
Investment earnings	2,000	2,000	74,702	72,702
Total revenues	3,773,816	3,773,816	7,608,723	3,834,907
Expenditures:				
Current:				
General government	6,287,229	6,287,229	4,459,105	(1,828,124)
Public safety			2,749,607	2,749,607
Highways and streets				
Sanitation			19,213	19,213
Health			64,281	64,281
Culture and recreation			123,296	123,296
Education			193,221	193,221
Total American rescue plan act	6,287,229	6,287,229	7,608,723	1,321,494
Total expenditures	6,287,229	6,287,229	7,608,723	1,321,494
Excess (deficiency) of revenues over expenditures	(2,513,413)	(2,513,413)		2,513,413
Other financing sources (uses):				
Transfers out	(200,000)	(200,000)		200,000
Total other financing sources	(200,000)	(200,000)		200,000
Net change in fund balances	(2,713,413)	(2,713,413)		2,713,413
Fund balances, July 1, 2022	2,713,413	2,713,413		(2,713,413)
Fund balances, June 30, 2023	$ -	$ -	$ -	$ -

See accompanying notes to budgetary comparison schedules.

Graham County
Required supplementary information
Note to budgetary comparison schedules
June 30, 2023

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.

Graham County
Required supplementary information
Schedule of the County's proportionate share of the net pension liability
Cost-sharing pension plans
June 30, 2023

Arizona State Retirement System

	Reporting fiscal year (Measurement date)								
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
County’s proportion of the net pension liability	0.071240%	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	$11,627,950	$ 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	$ 8,467,368	$ 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	137.33%	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	74.26%	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)								
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
County’s proportion of the net pension liability	0.654882%	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	$ 2,922,489	$ 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	$ 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 proportionate share of the net pension liability as a percentage of its covered payroll	380.94%	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	57.52%	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)								
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
County’s proportion of the net pension liability	1.23696%	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	$ 8,351,117	$ 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	$ 813,128	$ 714,050	$ 722,934	$ 698,736	$ 1,619,449	$ 2,630,160	$ 2,060,080	$ 2,357,511	$ 1,935,486
Total	$ 9,164,245	$ 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	$ 981,385	$ 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	850.95%	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	32.01%	36.28%	29.80%	30.14%	30.36%	19.66%	23.42%	28.32%	31.91%

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, 2023

PSPRS

	Reporting fiscal year (Measurement date)								
	2023 (2022)	**2022 (2021)**	**2021 (2020)**	**2020 (2019)**	**2019 (2018)**	**2018 (2017)**	**2017 (2016)**	**2016 (2015)**	**2015 (2014)**
Total pension liability									
Service cost	$ 158,231	$ 145,540	$ 163,049	$ 214,770	$ 216,213	$ 224,725	$ 161,447	$ 160,546	$ 192,299
Interest on the total pension liability	737,755	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	(75,712)	132,882	431,069	(20,846)	33,814	(6,699)	212,998	(29,096)	(396,687)
Changes of assumptions or other inputs	85,752			172,001		196,027	285,576		606,963
Benefit payments, including refunds of employee contributions	(425,261)	(795,524)	(328,099)	(445,313)	(553,668)	(305,962)	(205,520)	(284,120)	(182,340)
Net changes in total pension liability	480,765	192,182	926,042	548,572	290,891	772,682	1,204,414	307,101	735,527
Total pension liability—beginning	10,160,630	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)	$ 10,641,395	$ 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	$ 961,023	$ 2,688,126	$ 604,150	$ 323,440	$ 383,852	$ 387,287	$ 350,828	$ 193,270	$ 195,845
Contributions—employee	74,924	72,258	70,908	83,079	96,079	114,060	120,677	101,878	98,297
Net investment income	(373,311)	1,621,366	68,041	265,479	312,773	471,427	21,393	125,056	414,968
Benefit payments, including refunds of employee contributions	(425,261)	(795,524)	(328,099)	(445,313)	(553,668)	(305,962)	(205,520)	(284,120)	(182,340)
Administrative expense	(6,735)	(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	230,640	3,578,669	409,452	221,074	236,416	707,236	327,322	116,909	433,844
Plan fiduciary net position—beginning	9,016,796	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)	$ 9,247,436	$ 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)	$ 1,393,959	$ 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	86.90%	88.74%	54.55%	55.61%	56.60%	55.76%	52.04%	56.85%	57.82%
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 net pension liability as a percentage of covered payroll	109.54%	94.76%	418.39%	374.92%	326.81%	337.52%	344.44%	287.25%	248.09%

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, 2023

CORP-Detention

	Reporting fiscal year (Measurement date)								
	2023 (2022)	**2022 (2021)**	**2021 (2020)**	**2020 (2019)**	**2019 (2018)**	**2018 (2017)**	**2017 (2016)**	**2016 (2015)**	**2015 (2014)**
Total pension liability									
Service cost	$ 75,224	$ 75,993	$ 123,684	$ 172,423	$ 203,644	$ 185,996	$ 167,701	$ 179,080	$ 159,853
Interest on the total pension liability	213,487	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	(280,709)	126,270	(423,551)	(7,230)	(139,068)	(62,978)	(131,219)	(86,107)	(171,643)
Changes of assumptions or other inputs	32,555			52,309		76,221	94,493		196,121
Benefit payments, including refunds of employee contributions	(132,576)	(204,566)	(178,775)	(297,901)	(272,984)	(205,339)	(216,397)	(188,456)	(304,826)
Net changes in total pension liability	(92,019)	194,419	(258,617)	132,066	(76,385)	461,685	61,234	85,896	86,369
Total pension liability—beginning	2,915,549	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)	$ 2,823,530	$ 2,915,549	$ 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	$ 31,831	$ 133,563	$ 233,423	$ 113,877	$ 120,374	$ 103,251	$ 107,149	$ 74,587	$ 104,148
Contributions—employee	38,363	44,326	53,500	80,173	111,107	104,932	104,762	122,500	93,360
Net investment income	(113,933)	656,608	69,243	117,297	153,706	226,659	11,695	67,673	230,025
Benefit payments, including refunds of employee contributions	(132,576)	(204,566)	(178,775)	(297,901)	(272,984)	(205,339)	(216,397)	(188,456)	(304,826)
Administrative expense	(2,074)	(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	(178,389)	626,899	174,711	10,653	109,136	227,109	3,782	41,188	120,898
Plan fiduciary net position—beginning	3,058,164	2,431,265	2,256,554	2,245,901	2,136,765	1,909,656	1,905,874	1,864,686	1,743,788
Plan fiduciary net position—ending (b)	$ 2,879,775	$ 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)	$ (56,245)	$ (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	101.99%	104.89%	89.35%	75.73%	78.87%	73.08%	77.55%	79.37%	80.54%
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 net pension liability as a percentage of covered payroll	4.39%	10.17%	21.07%	45.82%	45.85%	58.41%	44.41%	41.20%	40.70%

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, 2023

CORP-Dispatchers

	Reporting fiscal year (Measurement date)								
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total pension liability									
Service cost	$ 11,018	$ 10,293	$ 16,975	$ 22,951	$ 25,228	$ 23,154	$ 22,530	$ 29,562	$ 34,365
Interest on the total pension liability	45,182	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	17,834	24,866	(114,608)	35,705	(6,865)	(11,358)	(16,635)	(21,537)	(29,030)
Changes of assumptions or other inputs	(788)			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	73,246	74,825	(163,812)	63,567	27,975	138,734	17,709	41,191	20,780
Total pension liability—beginning	607,908	533,083	696,895	633,328	605,353	466,619	448,910	407,719	386,939
Total pension liability—ending (a)	$ 681,154	$ 607,908	$ 533,083	$ 696,895	$ 633,328	$ 605,353	$ 466,619	$ 448,910	$ 407,719
Plan fiduciary net position									
Contributions—employer	$ 3,833	$ 5,599	$ 6,615	$ 11,455	$ 10,176	$ 9,753	$ 10,904	$ 10,664	$ 14,898
Contributions—employee	7,705	7,330	7,164	11,355	12,559	12,436	14,206	14,585	16,679
Net investment income	(28,395)	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	(521)	(742)	(673)	(1,325)	(1,371)	(951)	(856)	(835)	(444)
Other changes					(12)	(3)	(3)	(380)	
Net changes in plan fiduciary net position	(17,378)	172,210	(83,638)	(1,752)	64,969	84,262	(1,686)	42,130	70,479
Plan fiduciary net position—beginning	755,958	583,748	667,386	669,138	604,169	519,907	521,593	479,463	408,984
Plan fiduciary net position—ending (b)	$ 738,580	$ 755,958	$ 583,748	$ 667,386	$ 669,138	$ 604,169	$ 519,907	$ 521,593	$ 479,463
County's net pension liability (asset)—ending (a) – (b)	$ (57,426)	$ (148,050)	$ (50,665)	$ 29,509	$ (35,810)	$ 1,184	$ (53,288)	$ (72,683)	$ (71,744)
Plan fiduciary net position as a percentage of the total pension liability	108.43%	124.35%	109.50%	95.77%	105.65%	99.80%	111.42%	116.19%	117.60%
Covered payroll	$ 106,408	$ 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	53.97%	(160.78)%	(56.29)%	21.61%	(22.70)%	0.73%	(29.67)%	(39.67)%	(34.18)%

2014 – Information is not available

Graham County

Required supplementary information
Schedule of County pension contributions
June 30, 2023

Arizona State Retirement System

	Reporting fiscal year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	$ 1,043,776	$ 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	1,043,776	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	$ 8,784,395	$ 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	11.88%	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									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	$ 232,855	$ 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	232,855	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	$ 656,123	$ 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	35.49%	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									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	$ 619,032	$ 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	619,032	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	$ 959,165	$ 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	64.53%	56.34%	57.31%	58.87%	44.30%	4.70%	23.00%	23.15%	23.47%	23.18%

Graham County
Required supplementary information
Schedule of County pension contributions
June 30, 2023

PSPRS

	Reporting fiscal year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 237,979	$ 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	913,529	921,325	2,341,580	576,303	615,334	384,786	399,787	348,370	193,270	195,845
County's contribution deficiency (excess)	$ (675,000)	$ (600,000)	$ (2,000,000)	$ (300,000)	$ (300,000)	$ -	$ (55,233)	$ (45,665)	$ -	$ -
County's covered payroll	$ 1,352,603	$ 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	67.54%	72.40%	193.98%	53.22%	57.48%	34.11%	37.18%	33.67%	20.67%	19.46%

CORP—Detention

	Reporting fiscal year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 83,153	$ 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	83,153	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	$ 1,534,775	$ 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	5.42%	5.57%	6.95%	10.78%	17.75%	8.46%	8.00%	8.13%	6.20%	9.41%

CORP—Dispatchers

	Reporting fiscal year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 4,167	$ 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	4,167	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	$ 107,951	$ 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	3.86%	3.96%	6.08%	7.35%	8.03%	6.45%	6.25%	6.10%	5.82%	7.10%

Graham County
Required supplementary information
Notes to pension plan schedules
June 30, 2023

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 2021 actuarial valuation	25 years for PSPRS and 15 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)

Graham County
Required supplementary information
Notes to pension plan schedules
June 30, 2023

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.

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.

Between 2019 and 2023, the County has made additional contributions to the PSPRS plan in the amount of $3,875,550 and $200,000 to the CORP-Detention plan in efforts to reduce the County's unfunded liability in both plans.

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, 2023, 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 25, 2024.

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 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 2023-01 and 2023-02, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 25, 2024

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, 2023. 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, 2023.

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 25, 2024

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**
Is a going concern emphasis-of-matter paragraph included in the auditors' report?	**No**
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
21.032	Local Assistance and Tribal Consistency Fund

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

Financial statement findings

2023-01

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

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

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

Cause—The County's administration and IT management reported that they concentrated County resources in the development of a new accounting system for the County Treasurer's Office and did not prioritize finalizing the County-wide risk management, including identifying, classifying, and inventorying sensitive information the County holds to ensure it was protected.

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. Effectively managing risk includes the County's process for identifying, classifying, and inventorying sensitive information that might need stronger access and security controls to address the risk of unauthorized access and use, modification, or loss of that sensitive information.

Recommendations—The County's administration and IT management should:

1. Make it a priority to finalize 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 risks of holding sensitive information by identifying, classifying, and inventorying the information the County holds to assess where stronger access and security controls may be needed to protect data in accordance with State statutes and federal regulations.

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

This finding is similar to prior-year finding 2022-02 and was initially reported in fiscal year 2016.

2023-02

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

Condition—The County's control procedures were not sufficiently 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's administration and IT management reported that they concentrated County resources in the development of a new accounting system for the County Treasurer's Office and did not prioritize finalizing the documentation and implementation of 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 it seeks to achieve its financial reporting, compliance, and operational objectives. Effective internal controls include the following:

- **Restrict access through logical 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 finalize and implement 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.

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

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

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

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

10. 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 2022-03 and was initially reported in fiscal year 2016.

Federal award findings and questioned costs

None reported.

COUNTY SECTION

GRAHAM COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2022 - 6/30/2023

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*	*$200,179*	*$200,179*	*N/A*	*$0*
SCHOOLS AND ROADS - GRANTS TO STATES	10.665				$447,764	$447,764	FOREST SERVICE SCHOOLS AND ROADS CLUSTER	$447,764
LAW ENFORCEMENT AGREEMENTS	10.704				$3,434	$3,434	N/A	$0
WATERSHED PROTECTION AND FLOOD PREVENTION	10.904				$630,374	$630,374	N/A	$0
TOTAL DEPARTMENT OF AGRICULTURE					$1,281,751			
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*	*$222,860*	*$222,860*	*N/A*	*$0*
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					$222,860			
DEPARTMENT OF JUSTICE								
CORONAVIRUS EMERGENCY SUPPLEMENTAL FUNDING PROGRAM	*16.034*	*COVID-19*	*ARIZONA CRIMINAL JUSTICE COMMISSION*	*ACESF-21-024*	*$28,344*	*$28,344*	*N/A*	*$0*
CRIME VICTIM ASSISTANCE	*16.575*		*ARIZONA DEPARTMENT OF PUBLIC SAFETY*	*2020-164*	*$60,950*	*$60,950*	*N/A*	*$0*
STATE CRIMINAL ALIEN ASSISTANCE PROGRAM	16.606				$3,537	$3,537	N/A	$0
BULLETPROOF VEST PARTNERSHIP PROGRAM	16.607				$3,359	$3,359	N/A	$0
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	*16.738*		*ARIZONA CRIMINAL JUSTICE COMMISSION*	*DC-23-024, DC-23-005*	*$28,211*	*$28,211*	*N/A*	*$0*
TOTAL DEPARTMENT OF JUSTICE					$124,401			
DEPARTMENT OF TRANSPORTATION								
HIGHWAY PLANNING AND CONSTRUCTION	*20.205*		*ARIZONA DEPARTMENT OF TRANSPORTATION*	*21-0008099-I*	*$23*	*$23*		*$0*
STATE AND COMMUNITY HIGHWAY SAFETY	*20.600*		*GOVERNOR'S OFFICE OF HIGHWAY SAFETY*	*2022-PTS-031; 2023-PTS-029*	*$13,275*	*$13,275*	*HIGHWAY SAFETY CLUSTER*	*$36,639*
NATIONAL PRIORITY SAFETY PROGRAMS	*20.616*		*GOVERNOR'S OFFICE OF HIGHWAY SAFETY*	*2023-405d-021*	*$23,364*	*$23,364*	*HIGHWAY SAFETY CLUSTER*	*$36,639*
TOTAL DEPARTMENT OF TRANSPORTATION					$36,662			
DEPARTMENT OF TREASURY								
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	*21.027*	*COVID-19*	*GOVERNOR'S OFFICE*	*GR-ARPA-GCF-070121-01*	*$508*	*$6,572,806*	*N/A*	*$0*
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	COVID-19			$6,572,298	$6,572,806	N/A	$0
LOCAL ASSISTANCE AND TRIBAL CONSISTENCY FUND	21.032	COVID-19			$1,035,917	$1,035,917	N/A	$0
TOTAL DEPARTMENT OF TREASURY					$7,608,723			
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*	*$10,444*	*$10,444*	*N/A*	*$0*
TOTAL DELTA REGIONAL AUTHORITY or DENALI COMMISSION or ELECTION ASSISTANCE COMMISSION or JAPAN U.S. FRIENDSHIP COMMISSION					$10,444			
DEPARTMENT OF HEALTH AND HUMAN SERVICES								
PUBLIC HEALTH EMERGENCY PREPAREDNESS	*93.069*		*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*CTR055210*	*$209,257*	*$209,257*	*N/A*	*$0*
IMMUNIZATION COOPERATIVE AGREEMENTS	*93.268*	*COVID-19*	*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*ADHS18-177679, CTR060279, CTR060582*	*$316,376*	*$316,376*	*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*	*CTR040477*	*$59,821*	*$59,821*	*N/A*	*$0*
CHILD SUPPORT ENFORCEMENT	*93.563*		*ARIZONA DEPARTMENT OF ECONOMIC SECURITY*	*G1804AZ4004*	*$3,290*	*$3,290*	*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*	*$2,978*	*$2,978*	*N/A*	*$0*
PREVENTIVE HEALTH SERVICES_SEXUALLY TRANSMITTED DISEASES CONTROL GRANTS	*93.977*		*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*CTR040477-1*	*$16,623*	*$16,623*	*N/A*	*$0*
PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT	*93.991*		*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*CTR055137*	*$91,727*	*$91,727*	*N/A*	*$0*
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	*93.994*		*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*CTR055137*	*$78,590*	*$78,590*	*N/A*	*$0*
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES					$778,662			
DEPARTMENT OF HOMELAND SECURITY								
EMERGENCY MANAGEMENT PERFORMANCE GRANTS	*97.042*		*ARIZONA DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS*	*EMF-2022-EP-00009-S01*	*$92,949*	*$92,949*	*N/A*	*$0*
HOMELAND SECURITY GRANT PROGRAM	*97.067*		*ARIZONA DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS*	*21-AZDOHS-OPSG-210422-01*	*$89,624*	*$89,624*	*N/A*	*$0*
TOTAL DEPARTMENT OF HOMELAND SECURITY					$182,573			
TOTAL EXPENDITURE OF FEDERAL AWARDS					$10,246,076			

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 7/1/2022 - 6/30/2023

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. Revenues received during the fiscal year as reimbursement for lost revenues that were reduced or eliminated because of the COVID-19 pandemic are also reported as expenditures of federal awards. 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, 2023. 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 2023 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

John Howard, Chairman
Clay Mack, Vice Chairman
Paul R. David, Member

Dustin Welker, County Manager/Clerk

March 25, 2024

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, 2023

Financial statement findings

2023-01
The County's deficiencies in its process for managing and documenting its risks may put its operations and IT systems and data at unintended and unnecessary risk of potential harm

McCoy Hawkins, IT Director
Anticipated completion date: June 2024

Response: Concur
Corrective action:
A contractor has been hired to assist with 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 and/or need for stronger access and security controls in accordance with state statutes and federal regulations.

2023-02
The County's control procedures over IT systems and data were not sufficient, which increases the risk that the County may not adequately protect those systems and data.

McCoy Hawkins, IT Director
Anticipated completion date: August 2024

Response: Concur
Corrective action:
With the assistance of a contractor, Configuration and Change Management Policies and Procedures that outline processes from justification review to configuring, testing, and post-implementation review based on current IT standards and best practices are currently being drafted. Other appropriate information security and incident response policies and procedures are being developed as well. Accounts have been reviewed and disabled if currently not in use, and migration off old system with limited authentication is almost complete.

Graham County Board of Supervisors

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

John Howard, Chairman
Clay Mack, Vice Chairman
Paul R. David, Member

Dustin Welker, County Manager/Clerk

March 25, 2024

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, 2023

Status of financial statement findings

HURF and VLT restricted monies

Finding number: 2022-01.
Status: Fully corrected

Managing risk

Finding number: 2022-02. This finding initially occurred in fiscal year 2016.
Status: Not corrected

- The Graham County IT Department, while still working toward meeting last year's anticipated completion date of June 2024, had not completed necessary steps as of the issuance date of this audit due to limited employee workforce and major infrastructure and security software changes and implementation.
- Policies and procedures for risk management and categorization of sensitive information are being drafted and reviewed in order to perform a County-wide IT risk-assessment to identify, classify, and assess where stronger controls may be needed to protect IT resources.
- Various other procedures are also being drafted based on industry best practices.

Information technology (IT) controls—access, configuration and change management, and security

Finding number: 2022-03. This finding initially occurred in fiscal year 2016.
Status: Not corrected

- The Graham County IT Department, while still working toward meeting last year's anticipated completion date of June 2024, had not completed necessary steps as of the issuance date of this audit due to limited employee workforce and major infrastructure and security software changes and implementation.
- Dual-factor authentication has been implemented for access to all County resources.
- Policies and procedures for all aspects of information security and management including configuration and change management, as well as user access and security incident response plan, are being drafted based upon current IT standards and best practices.