

## Graham County

### Annual financial statement and compliance audits

The County's fiscal year 2022 reported financial information is reliable. However, we reported deficiencies and noncompliance over financial reporting, summarized on the next page.

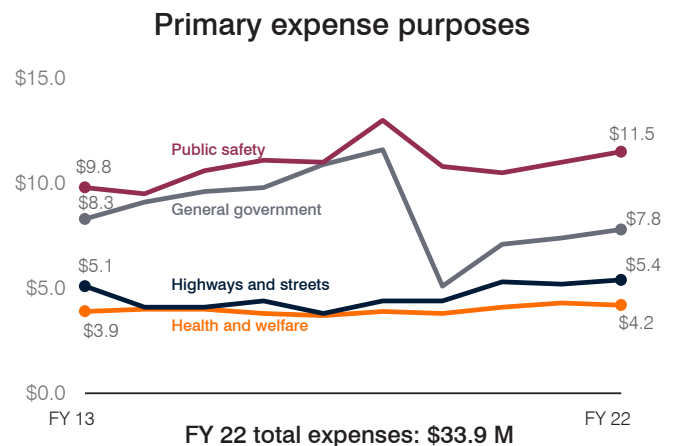
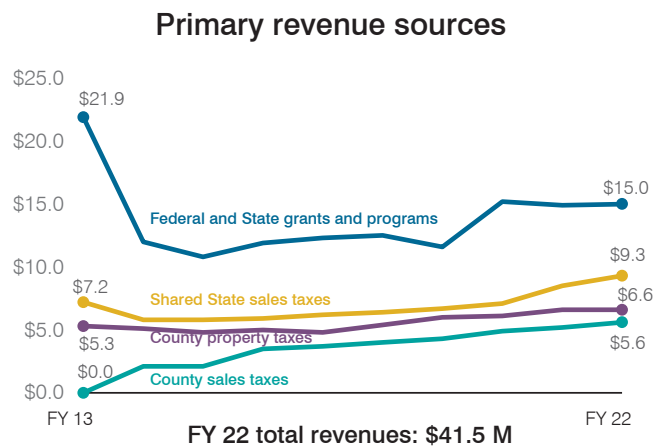
#### Audits' purpose

To express our opinions on the County's financial statements and on compliance with certain federal requirements and, if applicable, to report findings over noncompliance with certain laws and regulations or other financial deficiencies.

#### Primary revenue sources and how they were spent

##### Fiscal years (FY) 2013 through 2022

(In millions)



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

#### Largest primary revenue sources FY 2022

- **Federal and State grants and programs 36.2%**—Includes federal and State government grants and programs awarded as assistance to the County and its residents, including highway user tax revenues for authorized transportation purposes. In fiscal year 2013, the County received a 1-time, \$10 million State contribution.
- **Shared State sales taxes 22.5%**—Comes from State sales and other shared taxes the State of Arizona collects, and the Arizona State Treasurer distributes to the County based on the State's statutory distribution formulas.

#### Largest primary expense purposes FY 2022

- **Public safety 34.1%**—Costs for protecting the County's persons and property with the largest portion for County jail operations, County Sheriff's office services, probation services, and Flood Control District operations.
- **General government 23.0%**—Costs for general operation, oversight, and administration of County operations, including property assessments and taxes, budgeting and finance, and elections. Pension benefit expense was \$6.6 million less in fiscal year 2019 than in fiscal year 2018, but increased by \$2.1 million from fiscal year 2019 to fiscal year 2020.

#### County's net position increased in FY 2022

County revenues were \$7.6 million greater than its expenses, increasing total net position to \$44.1 million at June 30, 2022. Net position includes all assets, such as buildings, vehicles, and cash and investments, less all liabilities, such as unpaid pension and other payroll obligations, long-term debt, and accounts payable. None of this net position is unrestricted, meaning some is not in spendable form, and the rest is restricted by external parties.

## Auditor findings and recommendations

Summarized below are our findings and recommendations included in the County's combined [Annual Financial and Single Audit Reports](#) where there is further information and the County's responses. The County needs to:

- Develop and implement policies and procedures to define allowable uses of Highway User Revenue Fund (HURF) and vehicle license taxes (VLT) monies restricted for highway and street purposes, bill and seek reimbursement from other County departments for servicing County-owned vehicles that are not used for highway and street purposes, and require training for County employees who are responsible for carrying out the newly created policies and procedures related to the allowable uses for HURF and VLT monies. Additionally, the County needs to reimburse the misspent HURF and VLT monies with other allowable, unrestricted County monies. We found that the County misspent \$81,700 of monies restricted for highway and street purposes on unallowable uses. The County's misspending of HURF and VLT monies resulted in the County not complying with State laws and having \$81,700 less for future highway and street projects.
- Identify, classify, and inventory the sensitive information that the County holds, and assess where stronger IT access and security controls may be needed to protect it. Also, the County needs to make it a priority to develop, document, and implement policies and procedures to effectively respond to risks and to prevent, detect, and respond to unauthorized or inappropriate access, damage, or loss to its IT systems and financial and other data, including protecting sensitive data. We found that processes for managing and documenting risks and control procedures over IT systems and data were not sufficient, which may put County operations and IT systems and data at unintended and unnecessary risk of potential harm. We reported similar findings in prior years.

## Auditor General website report links

- The June 30, 2022, Graham County combined Annual Financial and Single Audit Reports that are summarized in these highlights can be found at this [link](#). These reports should be read to fully understand the County's overall financial picture and our reporting responsibilities.
- The County's reports from prior years are available at this [link](#).
- For help in understanding important information presented in these reports, please refer to our user guides at the following links:
  - [Financial Report User Guide for State and Local Governments](#).
  - [Internal Control and Compliance Reports User Guide](#).