Graham County

Annual Financial Report and Single Audit Report

Year Ended June 30, 2019

A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General

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TABLE OF CONTENTS

Annual Financial Report

Single Audit Report

Auditors section

County section

County response

ANNUAL FINANCIAL REPORT

MELANIE M. CHESNEY
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LINDSEY A. PERRY

JOSEPH D. MOORE
DEPUTY AUDITOR GENERAL

Independent auditors' report

Members of the Arizona State Legislature

The Board of Supervisors of
Graham County, Arizona

Report on the financial statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Graham County as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of the County as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other matters

Required supplementary information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages a-1 through a-10, budgetary comparison schedules on pages 45 through 49, schedule of the County's proportionate share of the net pension liability—cost-sharing pension plans on page 51, schedule of changes in the County's net pension liability (asset) and related ratios—agent pension plans on pages 52 through 54, schedule of County pension contributions on pages 55 through 56, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information—schedule of expenditures of federal awards

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

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

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

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

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

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2020, 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 Perry, CPA, CFE
Auditor General

March 10, 2020

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, 2019. We encourage readers to consider the information presented here in conjunction with the basic financial statements.

Financial highlights for fiscal year 2019

- 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 $20,128,875 (net position). Of this amount, $27,756,796 is the net investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure, and construction in progress); $13,340,394 is restricted for specific purposes (restricted net position); and $(20,968,315) is the unrestricted net position deficit balance that is primarily a result of $27,060,392 in net pension liability.
- The increase in the County's net position was $5,487,295 in fiscal year 2019.
- As of the close of the current fiscal year, Graham County's governmental funds reported combined ending fund balances of $20,287,577, an increase of $3,968,224 in comparison with the prior year. The increase was primarily due to an increase in cash, cash equivalents, and investments held by both the general and highway funds.
- At the end of the current fiscal year, unassigned fund balance for the general fund was $3,726,279, or 25.3 percent, of total general fund expenditures.
- Graham County's capital assets decreased by $2,317,496 during the current fiscal year. The key factor in this decrease was the sale of the old adult detention facility (land and buildings). The largest capital asset purchase was a road project, High Mesa Road. Other large capital assets were a truck and construction and maintenance equipment for the highway department. Computer switches, storage and other office equipment round out the majority of capital asset additions.

Overview of the financial statements

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

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

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

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

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

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

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

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

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

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

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

The basic governmental funds financial statements can be found on pages 4 through 10 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 11 and 12 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 13 through 43 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 45 through 58 of this report.

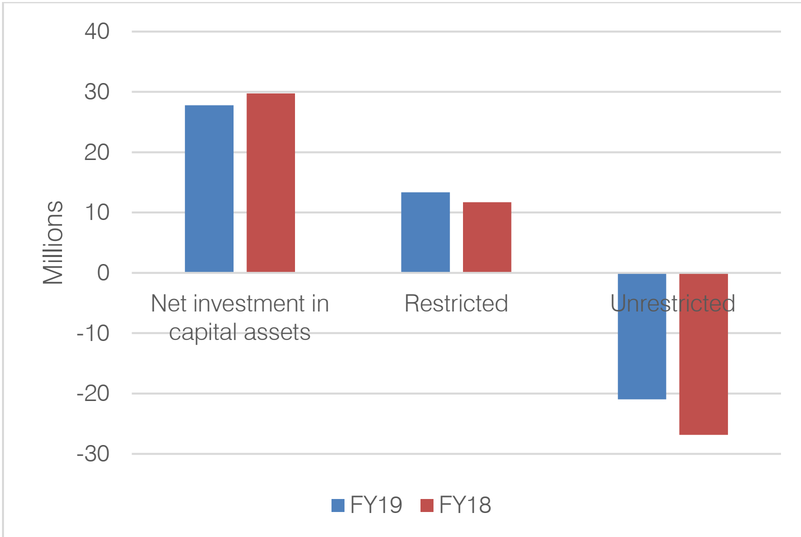
Government-wide financial analysis

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 $20,128,875.

Condensed Statement of Net Position
As of June 30, 2019 and 2018

	Governmental Activities	
	2019	2018
Current and other assets	$ 20,943,765	$ 16,914,668
Capital assets	55,142,042	57,459,538
Total assets	76,085,807	74,374,206
Deferred outflows of resources		
Total deferred outflows of resources	6,735,312	4,288,514
Long-term liabilities outstanding	55,707,265	61,604,658
Other liabilities	367,329	371,301
Total liabilities	56,074,594	61,975,959
Deferred inflows of resources		
Total deferred inflows of resources	6,617,650	2,045,181
Net position:		
Net investment in capital assets	27,756,796	29,747,192
Restricted	13,340,394	11,731,698
Unrestricted	(20,968,315)	(26,837,310)
Total net position	$ 20,128,875	$ 14,641,580

Net Position
June 30, 2019 and 2018



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

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, decreased from $(26,837,310) at June 30, 2018, to $(20,968,315) at June 30, 2019. Again, this is primarily a result of changes in net pension liability.

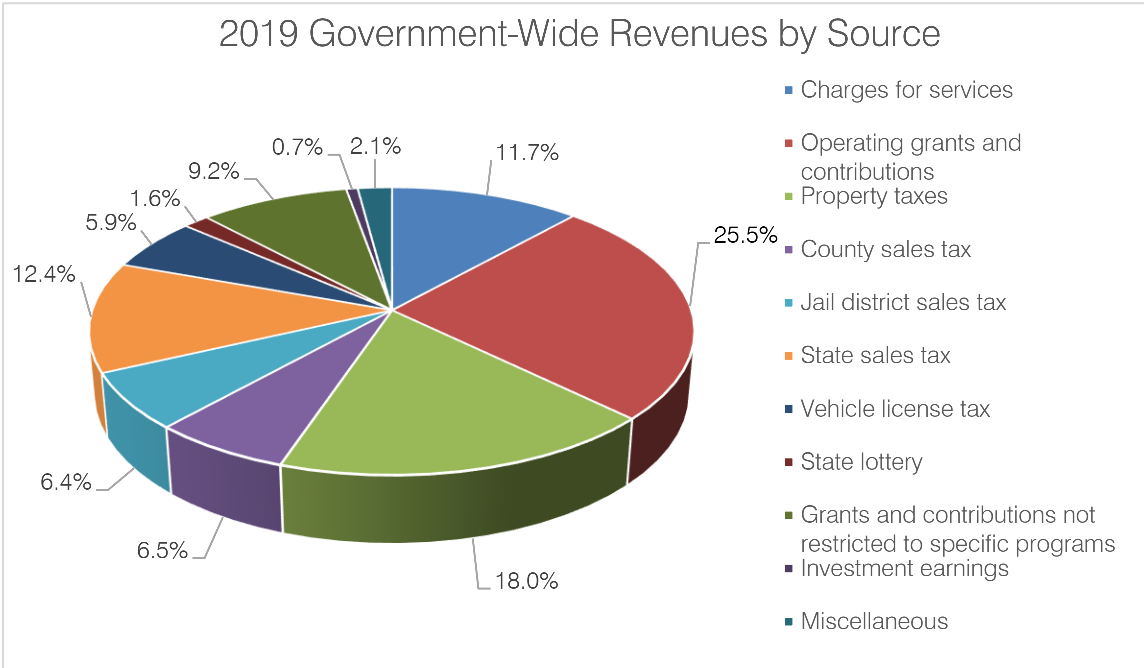
Current and other assets, related to governmental activities, increased $4,029,097 as compared to the previous fiscal year, primarily because of an increase in cash of $2,408,140, along with increases in investments held by trustee of $842,682, amounts due from other governments of $379,187, and the recording of a $330,000 prepaid asset. Capital assets decreased by $2,317,496 this fiscal year as the sale of the old adult detention facility assets and depreciation of all assets exceeded new assets placed in service.

Long-term liabilities decreased $5,897,393 with a decrease of $5,610,231 in net pension liability to $27,060,392 for its employees at year-end. Compensated absences increased $40,690, reflecting employees' increased carryover of vacation and sick leave hours. Capital leases payable decreased $53,166 with no new leases incurred. Other liabilities decreased $3,972, or 1.1 percent, mainly because of a decrease in accrued payroll and employee benefits.

Statement of activities—Already noted was the statement of activities' purpose in presenting information in how the County's net position changed during the most recent fiscal year. Most sources of revenue on the statement of activities increased with the exception of capital grants and contributions which decreased $719,294, or 100.0 percent as none were received this year. Operating grants and contributions and miscellaneous revenues also decreased $168,749 and $4,617, or 1.9 percent and 0.7 percent respectively. The net result was an increase in revenue of $502,981 for the fiscal year. The basis of accounting used in the government-wide statement of activities excludes capital expenditures, while its revenues include taxes whose primary purpose is for the County's operation.

Condensed Statement of Activities
Years Ended June 30, 2019 and 2018

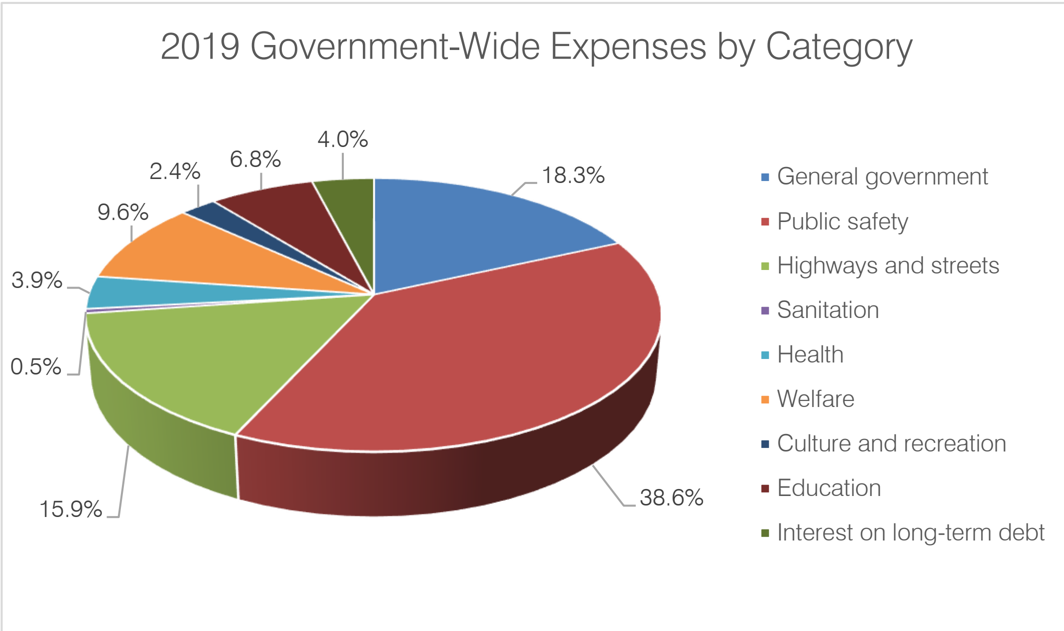
	Governmental Activities	
	2019	2018
Revenues		
Program revenues:		
Charges for services	$ 3,934,225	$ 3,865,596
Operating grants and contributions	8,540,857	8,709,606
Capital grants and contributions		719,294
General revenues:		
Property taxes, levied for general purposes	6,031,330	5,446,569
County sales taxes, levied for general purposes	2,166,228	1,985,866
Jail District sales taxes, levied for debt service	2,155,395	1,973,059
Shared revenue—state sales taxes	4,163,990	3,986,447
Shared revenue—state vehicle license taxes	1,978,305	1,870,419
Shared revenue—state lottery	550,050	550,050
Grants and contributions not restricted to specific programs	3,074,478	3,062,913
Investment earnings	230,157	147,598
Miscellaneous	692,613	697,230
Total revenues	33,517,628	33,014,647
Expenses		
General government	$ 5,138,263	$11,646,665
Public safety	10,828,867	13,046,190
Highways and streets	4,448,378	4,377,402
Sanitation	121,994	84,640
Health	1,105,330	1,187,351
Welfare	2,699,801	2,716,280
Culture and recreation	655,137	634,462
Education	1,912,878	2,411,007
Interest on long-term debt	1,119,685	1,126,659
Total expenses	28,030,333	37,230,656
Change in net position	5,487,295	(4,216,009)
Net position—beginning	14,641,580	18,857,589
Net position—ending	$20,128,875	$14,641,580



Governmental activities

Governmental activities revenues totaled $33,517,628 for fiscal year 2019. The following are highlights of County revenues:

- Property taxes collections increased $584,761, or 10.7 percent. The County primary tax rate was increased for fiscal year 2019 by $0.3481, or 13.17 percent over the previous year.
- Graham County continued to see a recovery in the economy, years behind the state's recovery as a whole, which was evidenced by an increase in County sales taxes of $180,362 or 9.1 percent; an increase in Jail District sales tax of $182,336, or 9.2 percent; and an increase in vehicle license tax of $107,886, or 5.8 percent.
- Investment earnings increased by $82,559, or 55.9 percent, as interest rates continued to rise.
- Capital grants and contributions decreased $719,294, or 100.0 percent. The main source of the decrease was no contributions from the Arizona Department of Transportation (ADOT) toward road projects were received this year as compared to fiscal year 2018.



Expenses:

Overall expenses in governmental activities decreased $9,200,323, or 24.7 percent. Spending for several of the functions decreased during the fiscal year. The majority of the decrease was within the general government, education, public safety and health functions. Sanitation was the only function which showed a large increase in expenses.

- General government expenses decreased $6,508,402, or 55.9 percent; education expenses decreased $498,129, or 20.7 percent; public safety expenses decreased $2,217,323, or 17.0 percent; and health expenses decreased $82,021, or 6.9 percent. All four functions large decreases were mainly a result of decreases in pension expenses as pension plans adjusted their actuarial assumptions. General government and public safety also showed decreased expenses as the Hall and Parker lawsuit claims were paid off in fiscal year 2018.
- Sanitation expenses increased $37,354, or 44.1 percent as operating procedures changed in fiscal year 2019 resulting in higher operating expenses.

Financial analysis of the County's funds

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

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

The general fund is the chief operating fund of Graham County. At June 30, 2019, the general fund's unassigned fund balance was $3,726,279 which was an increase of $1,777,015 from the prior fiscal year. Revenues were more than expenditures by $4,674,548 in the general fund (prior to any other financing sources or uses). Revenues were $811,931 more than the previous fiscal year with increases in County property taxes, sales taxes, intergovernmental revenues and investment earnings and decreases in licenses and permits, charges for services, fines and forfeits, rents, miscellaneous and donation revenues.

The highway road fund receives the County's share of the highway users revenue funds collected and distributed by the State of Arizona for the purposes of maintaining and improving the roads under the County's care. The fund balance for the highway road fund increased $618,825 this fiscal year. Intergovernmental revenues saw a healthy increase, as did charges for services, investment earnings, and miscellaneous revenues. In addition, expenditures decreased $121,090, or 3.3 percent. The County highway department works diligently to keep a close eye on expenditures and to keep costs down whenever possible.

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 maintenance of effort transfer from the general fund. For fiscal year 2019 this transfer totaled $2,962,593, a $52,322 increase over the previous year. The transfers will vary each year based on calculations tied to changes in the U.S. gross domestic product. The jail district operations fund balance increased $118,629 this fiscal year to end with a balance of $117,411. A contract with the U.S. Marshals to house federal detainees was largely responsible for the positive fund balance.

The jail district debt service fund receives the jail district sales tax which went into effect on July 1, 2015. The district uses these taxes to service the principal and interest payments on the bonds issued to build the new adult detention facility. The debt service is scheduled to be paid off in 25 years, by the year 2040. The County sales tax for the jail district debt service fund totaled $2,155,395. A principal payment of $235,000 was made toward the outstanding bonds, as well as $1,158,619 in bond interest payments.

The other governmental funds are a combination of many nonmajor funds of the County, most funded by various grants. Grants are typically only awarded for one fiscal year at a time. Funding for many programs have faced multiple years of cuts and intergovernmental revenues decreased again in fiscal year 2019 by $223,350. However, total revenues increased by $64,735 while expenditures rose by $297,162. The other governmental fund balance increased by $238,804 due to an increase of transfers in for capital project funds.

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 by $250,650, or 1.3 percent. The largest variances from budgeted amounts were in investment earnings, which was $7,321, or 732.1 percent above budget; donations, which were $50,000, or 100 percent below budget; rents, which were $5,016, or 22.8 percent below budget; fines and forfeits, which were $43,955, or 19.5 percent below budget; licenses and permits, which were $5,642, or 9.2 percent below budget; miscellaneous revenues, which were $17,125, or 8.9 percent below budget; and charges for services, which were $84,769, or 6.4 percent below budget. The general fund expenditure budget of $18,523,476 was also not amended this fiscal year. General fund expenditures were less than the final budget by $3,793,379, or 20.5 percent. Significant favorable expenditure variances, as compared to the budget, were incurred in the general government function of $3,274,385 and the public safety function of $255,168. These savings were a result of conservative budgeting practices that resulted in spending less than anticipated. All general fund departments were under budget with the exception of the Sheriff's office which was $49,706, or 1.5 percent over budget.

Capital asset and debt administration

Capital assets—The County's capital assets for its governmental activities as of June 30, 2019, amount to $55,142,042 (net of accumulated depreciation). The decrease of $2,317,496 is due primarily to sale of the old adult detention facility.

Graham County's Capital Assets
(Net of depreciation)

	Governmental Activities	
	2019	2018
Land	$ 3,244,850	$ 3,281,224
Buildings	29,477,086	30,988,565
Machinery and equipment	1,617,966	2,220,657
Infrastructure	20,004,439	20,566,014
Construction in progress	797,701	403,078
Total	$55,142,042	$57,459,538

Additional information on Graham County's capital assets can be found in Note 4 on pages 21-22 of this report.

Long-term debt—At the end of the current fiscal year, the County had total long-term liabilities outstanding of $55,707,265. The largest portion of the long-term liabilities includes $25,875,000 in revenue bonds payable and $27,060,392 for net pension liability. Also included in long-term liabilities is $1,187,612 for the future payment of compensated absences for unused employee vacation and sick leave, capital leases of $692,617, unamortized bond premium of $817,629, and post-closure care costs of $74,015.

Additional information on the County's long-term debt can be found in Note 6 to the financial statements on pages 22 through 24.

Economic factors and next year's budget and rates

- The unemployment rate as of June 2019 for the State was 5.3 percent and for Graham County was 5.6 percent (exclusive of the San Carlos Apache Reservation). This is a slight increase from 5.3 percent a year ago. The relatively steady unemployment rate is reflective of our reliance on the local copper mining industry where local employment has stabilized.
- State shared revenues have increased for the past few years and Graham County is seeing higher County sales taxes indicative of financial recovery.
- As Graham County has finally started to see the financial recovery make its way into rural Arizona, the County is working to maintain a budget reserve to minimize future negative fiscal impacts of unforeseen events over which the County has little or no control. In addition, the County has begun to work on deferred maintenance projects for County buildings and facilities.

- As the State economy has improved, the Legislature has taken back many of the cost shifts that had been imposed on counties during the recession. Removal of these cost shifts has been important because other costs outside of the County's control have increased, such as unfunded mandates and retirement costs. The County will continue their efforts to educate state legislators regarding the impact of unfunded state mandates.
- Increasing costs from State-controlled pension systems are a concern for Graham County. Like other counties in Arizona, Graham County has struggled to pay for required increases to the Public Safety Personnel Retirement System (PSPRS), Elected Officials Retirement Plan (EORP), and Corrections Officer Retirement Plan (CORP).

These factors were considered in preparing Graham County's budget for the 2020 fiscal year. The unassigned ending fund balance in the general fund of $3,726,279 was appropriated for spending in the 2019/20 fiscal year budget. 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 first time in five years. The County lowered the general fund property tax rate from 2.9920 to 2.9644, which was the Truth in Taxation Rate for the fiscal year 2020.

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, 2019

	Governmental activities
Assets	
Cash, cash equivalents, and investments	$ 11,997,486
Property taxes receivable	303,446
Due from other governments	2,369,077
Investments held by trustee—restricted	5,609,397
Inventories	298,549
Prepaid assets	330,000
Net pension assets	35,810
Capital assets, not being depreciated	4,042,551
Capital assets, being depreciated, net	51,099,491
Total assets	76,085,807
Deferred outflows of resources	
Deferred outflows related to pensions	6,735,312
Total deferred outflows of resources	6,735,312
Liabilities	
Accounts payable	15,365
Accrued payroll and employee benefits	283,412
Due to other governments	68,552
Noncurrent liabilities	
Due within 1 year	1,372,528
Due in more than 1 year	54,334,737
Total liabilities	56,074,594
Deferred inflows of resources	
Deferred inflows related to pensions	6,617,650
Total deferred inflows of resources	6,617,650
Net position	
Net investment in capital assets	27,756,796
Restricted for:	
Highways and streets	5,908,534
Debt service	5,995,133
Other purposes	1,436,727
Unrestricted (deficit)	(20,968,315)
Total net position	$ 20,128,875

See accompanying notes to financial statements.

Graham County
Statement of activities
Year ended June 30, 2019

Functions/programs	Expenses	Program revenues: Charges for services	Program revenues: Operating grants and contributions	Net (expense) revenue and changes in net position: Governmental activities
Governmental activities:				
General government	$ 5,138,263	$ 1,804,446	$ 1,107,369	$ (2,226,448)
Public safety	10,828,867	327,158	2,881,710	(7,619,999)
Highways and streets	4,448,378	146,190	3,322,540	(979,648)
Sanitation	121,994		52,119	(69,875)
Health	1,105,330	67,213	1,028,039	(10,078)
Welfare	2,699,801			(2,699,801)
Culture and recreation	655,137	86,425		(568,712)
Education	1,912,878	1,502,793	149,080	(261,005)
Interest on long-term debt	1,119,685			(1,119,685)
Total governmental activities	$ 28,030,333	$ 3,934,225	$ 8,540,857	(15,555,251)

General revenues:	
Taxes:	
Property taxes, levied for general purposes	6,031,330
County sales taxes, levied for general purposes	2,166,228
Jail District sales tax, levied for debt service	2,155,395
Shared revenue—State sales tax	4,163,990
Shared revenue—State vehicle license tax	1,978,305
Shared revenue—State lottery	550,050
Grants and contributions not restricted to specific programs	3,074,478
Investment earnings	230,157
Miscellaneous	692,613
Total general revenues	21,042,546
Change in net position	5,487,295
Net position, July 1, 2018	14,641,580
Net position, June 30, 2019	$ 20,128,875

See accompanying notes to financial statements.

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Graham County
Balance sheet
Governmental funds
June 30, 2019

	General Fund	Highway Road Fund	Jail District Operations Fund
Assets			
Cash, cash equivalents, and investments	$ 2,811,843	$ 5,328,094	$ 68,966
Investments held by trustee			
Property taxes receivable	293,956		
Due from other governments	1,089,084	305,077	104,569
Inventories		298,549	
Prepaid items	330,000		
Total assets	$ 4,524,883	$ 5,931,720	$ 173,535
Liabilities			
Accounts payable	$ 7,762		$ 7,603
Accrued payroll and employee benefits	159,292	$ 23,186	48,521
Due to other governments	55,761		
Total liabilities	222,815	23,186	56,124
Deferred inflows of resources			
Unavailable revenue—property taxes	245,789		
Total deferred inflows of resources	245,789		
Fund balances			
Nonspendable	330,000	298,549	
Restricted		5,609,985	117,411
Committed			
Assigned			
Unassigned	3,726,279		
Total fund balances	4,056,279	5,908,534	117,411
Total liabilities, deferred inflows of resources, and fund balances	$ 4,524,883	$ 5,931,720	$ 173,535

See accompanying notes to financial statements.

Jail District Debt Service Fund	Other governmental funds	Total governmental funds
	$ 3,788,583	$ 11,997,486
$ 5,609,397		5,609,397
	9,490	303,446
385,736	484,611	2,369,077
		298,549
		330,000
$ 5,995,133	$ 4,282,684	$ 20,907,955
		$ 15,365
	$ 52,413	283,412
	12,791	68,552
	65,204	367,329
	7,260	253,049
	7,260	253,049
		628,549
5,995,133	1,319,316	13,041,845
	579,758	579,758
	2,311,146	2,311,146
		3,726,279
5,995,133	4,210,220	20,287,577
$ 5,995,133	$ 4,282,684	$ 20,907,955

Graham County
Reconciliation of the governmental funds balance sheet to the government-wide statement of net position
June 30, 2019

Fund balances—total governmental funds		$ 20,287,577
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	$ 91,390,666	
Accumulated depreciation	(36,248,624)	55,142,042
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		253,049
Net pension assets held in trust for future benefits are not available for county operations and, therefore, are not reported in the funds.		35,810
Long-term liabilities, such as net pension liabilities and bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Bonds payable	(25,875,000)	
Bond premium	(817,629)	
Net pension liability	(27,060,392)	
Compensated absences payable	(1,187,612)	
Leases payable	(692,617)	
Landfill liability	(74,015)	(55,707,265)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.		117,662
Net position of governmental activities		$ 20,128,875

See accompanying notes to financial statements.

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Graham County
Statement of revenues, expenditures, and changes in fund balances
Governmental funds
Year ended June 30, 2019

	General Fund	Highway Road Fund	Jail District Operations Fund
Revenues:			
Property taxes	$ 5,800,166		
County sales taxes	2,166,228		
Licenses and permits	55,358		
Intergovernmental	9,760,316	$ 4,237,833	$ 964,438
Charges for services	1,241,927	146,189	36,095
Fines and forfeits	181,045		
Investment earnings	8,321	87,444	2,117
Rents	16,984		
Miscellaneous	174,300	73,902	217
Donations			
Total revenues	19,404,645	4,545,368	1,002,867
Expenditures:			
Current:			
General government	6,641,128		
Public safety	4,324,000		3,830,735
Highways and streets		3,471,319	
Sanitation	70,624		
Health	204,709		
Welfare	2,699,801		
Culture and recreation	374,252		
Education	239,262		
Debt service:			
Principal			
Interest and other charges			
Capital outlay	176,321	120,601	16,105
Total expenditures	14,730,097	3,591,920	3,846,840
Excess (deficiency) of revenues over expenditures	4,674,548	953,448	(2,843,973)
Other financing sources (uses):			
Sale of capital assets	332,683	3,000	9
Transfers in	169,224	5,354	2,962,593
Transfers out	(3,069,440)	(335,321)	
Total other financing sources (uses)	(2,567,533)	(326,967)	2,962,602
Net change in fund balances	2,107,015	626,481	118,629
Fund balances, July 1, 2018	1,949,264	5,289,709	(1,218)
Decrease in inventories		(7,656)	
Fund balances, June 30, 2019	$ 4,056,279	$ 5,908,534	$ 117,411

See accompanying notes to financial statements.

Jail District Debt Service Fund	Other governmental funds	Total governmental funds
	$ 202,129	$ 6,002,295
$ 2,155,395		4,321,623
		55,358
	3,805,542	18,768,129
	2,076,933	3,501,144
	59,372	240,417
79,675	52,600	230,157
	120,322	137,306
43,500	254,198	546,117
	146,496	146,496
2,278,570	6,717,592	33,949,042
	707,906	7,349,034
	2,334,746	10,489,481
	136,432	3,607,751
	52,122	122,746
	926,328	1,131,037
		2,699,801
	187,242	561,494
	1,855,961	2,095,223
235,000		235,000
1,158,619		1,158,619
	548,071	861,098
1,393,619	6,748,808	30,311,284
884,951	(31,216)	3,637,758
	2,430	338,122
	444,649	3,581,820
	(177,059)	(3,581,820)
	270,020	338,122
884,951	238,804	3,975,880
5,110,182	3,971,416	16,319,353
		(7,656)
$ 5,995,133	$ 4,210,220	$ 20,287,577

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, 2019

Net change in fund balances—total governmental funds		$ 3,975,880
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	$ 944,937	
Less current year depreciation	(2,646,724)	(1,701,787)
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.		(615,709)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		29,035
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	2,339,281	
Pension expense	1,641,538	
State's nonemployer pension contributions	(460,449)	3,520,370
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is issued, whereas these amounts are amortized in the statement of activities.		
Amortization of bond premium	38,934	
Principal payments on long-term debt	288,166	327,100
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	(40,690)	
Decrease in landfill closure and postclosure care costs	752	(39,938)
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		(7,656)
Change in net position of governmental activities		$ 5,487,295

See accompanying notes to financial statements.

Graham County
Statement of fiduciary net position
Fiduciary funds
June 30, 2019

	Investment trust funds	Agency funds
Assets		
Cash, cash equivalents, and investments	$ 22,051,308	$ 596,591
Accrued interest receivable	89,934	
Total assets	$ 22,141,242	$ 596,591
Liabilities		
Deposits held for others		$ 596,591
Total liabilities		$ 596,591
Net position		
Held in trust for investment trust participants	$ 22,141,242	

See accompanying notes to financial statements.

Graham County
Statement of changes in fiduciary net position
Fiduciary funds
Year ended June 30, 2019

	Investment trust funds
Additions:	
Contributions from participants	$ 80,108,443
Investment earnings	475,364
Total additions	80,583,807
Deductions:	
Distributions to participants	80,897,989
Total deductions	80,897,989
Change in net position	(314,182)
Net position, July 1, 2018	22,455,424
Net position, June 30, 2019	$ 22,141,242

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).

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. The blended component units discussed below have a June 30 year-end. The County has no discretely presented component units.

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

B. Basis of presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

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

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

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

The County also reports the following fund types:

The *investment trust funds* account for pooled and nonpooled assets the County Treasurer holds and invests on behalf of other governmental entities.

The *agency funds* account for assets the County holds as an agent for the State, cities, towns, and other parties.

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. The agency funds are custodial in nature and do not have a measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

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

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

D. Cash and investments

All investments are stated at fair value.

E. Inventories

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

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

F. Prepaid items

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

G. Property tax calendar

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

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

H. Capital assets

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

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

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

I. Deferred outflows and inflows of resources

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

J. Pensions

For purposes of measuring the net pension asset and liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the 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.

K. Fund balance classifications

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

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

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

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

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

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

L. Investment earnings

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

M. Compensated absences

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

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

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

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 the above-mentioned services rates the security, it must carry the highest rating of that service.

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

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

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

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

Deposits—At June 30, 2019, the carrying amount of the County's deposits was $2,455,674, and the bank balance was $4,729,754. The County does not have a formal policy with respect to custodial credit risk.

Investments—The County had total investments of $37,784,309 at June 30, 2019. The County categorizes certain investments measured at fair value within the fair value hierarchy established by generally accepted accounting principles as follows:

		Fair value measurement using		
	Amount	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level				
U.S. agency securities	$ 9,917,652		$9,917,652	
Negotiable certificates of deposit	11,429,402	$11,429,402		
Money market funds with trustee	5,609,397	5,609,397		
School district warrants	3,342,489			$3,342,489
Total investments by fair value level	$30,298,940	$17,038,799	$9,917,652	$3,342,489
External investment pools measured at fair value				
State Treasurer's investment pools	$ 7,485,369			
Total investments	$37,784,309			

Investments categorized as Level 1 are valued using prices quoted in active markets for those investments. Investments categorized as Level 2 are valued using an automated-IDC institutional bond pricing model. School district warrants categorized as Level 3 are valued using a net asset value (NAV) of $1.00 per share. Investments in the State Treasurer's investment pools are valued at the pool's share price multiplied by the number of shares the County held. The fair value of a participant's position in the pools approximates the value of that participant's pool shares. The State Board of Investment provides oversight for the State Treasurer's investment pools.

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

Credit risk—Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The County does not have a formal policy with respect to credit risk. At June 30, 2019, credit risk for the County's investments was as follows:

Investment type	Rating	Rating agency	Amount
U.S. agency securities	Aaa	Moody's	$ 9,917,652
Negotiable certificates of deposit	Unrated	Not applicable	11,429,402
Money market funds with trustee	AAAm	Standard & Poor's	5,609,397
School district warrants	Unrated	Not applicable	3,342,489
State Treasurer's investment pool 7	Unrated	Not applicable	3,059,859
State Treasurer's investment pool 5	AAAf/S1+	Standard & Poor's	4,425,510
Total			$37,784,309

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, 2019, of 5 percent or more in Federal Home Loan Bank, Safford School District, and Federal National Mortgage Association. These investments were 10.57 percent, 8.85 percent, and 7.75 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, 2019, the County had the following investments in debt securities:

Investment type	Amount	Weighted average maturity (in years)
U.S. agency securities	$ 9,917,652	1.00
Negotiable certificates of deposit	11,429,402	1.22
Money market funds with trustee	5,609,397	0.06
School district warrants	3,342,489	indefinite
State Treasurer's investment pool 7	3,059,859	0.08
State Treasurer's investment pool 5	4,425,510	0.09
Total	$37,784,309	

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

Cash, deposits, and investments:

Cash on hand	$ 14,799
Amount of deposits	2,455,674
Amount of investments	37,784,309
Total	$40,254,782

	Governmental activities	Investment trust funds	Agency funds	Total
Statement of net position:				
Cash, cash equivalents, and investments	$11,997,486	$22,051,308	$596,591	$34,645,385
Investments held by trustee—restricted	5,609,397			5,609,397
Total	$17,606,883	$22,051,308	$596,591	$40,254,782

Note 3 – Due from other governments

Amounts due from other governments at June 30, 2019, totaled $2,369,077 and include $633,838 in state-shared revenue from sales tax, $387,691 in county sales tax distributions from the State Treasurer, $39,037 in state motor vehicle license taxes from the Arizona Department of Transportation, $14,364 in patrol fees from the University of Arizona, $9,001 in justice of the peace salary reimbursements from the State Treasurer, and $5,153 in criminal justice enhancement fees from the Arizona Office of the Attorney General recorded in the general fund; $268,238 in state-shared revenue from highway user taxes and $36,839 in state motor vehicle license taxes from the Arizona Department of Transportation recorded in the highway road fund; $104,569 in federal inmate housing from the United States Marshals in the jail district operations fund; $385,736 in jail district sales tax distributions from the State Treasurer recorded in the jail district debt service fund; $205,768 in health grants from the Arizona Department of Health Services; $151,919 in the community development block grant project fund from the Arizona Department of Housing; $33,843 in parents' commission grant funds from the Governor's Office; $19,382 in field trainer grant funds from the Arizona Supreme Court; $18,883 in emergency management and other grant funds from the Arizona Department of Emergency and Military Affairs; $13,566 in fill-the-gap grant funds from the Arizona Office of the Courts; $12,774 in waste tire funds from the State Treasurer; $12,397 in jail enhancement funding from the State Treasurer; $8,698 in homeland security grants from the Arizona Department of Homeland Security; $7,381 in federal education funding from the Department of Education recorded in other governmental funds.

Note 4 – Capital assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 3,281,224	$ 12,317	$ 48,691	$ 3,244,850
Construction in progress	403,078	700,833	306,210	797,701
Total capital assets not being depreciated	3,684,302	713,150	354,901	4,042,551
Capital assets being depreciated:				
Buildings	39,405,739		1,211,939	38,193,800
Machinery and equipment	14,876,741	257,802	673,152	14,461,391
Infrastructure	34,412,729	280,195		34,692,924
Total of assets being depreciated	88,695,209	537,997	1,885,091	87,348,115

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Less accumulated depreciation for:				
Buildings	$ 8,417,174	$ 969,160	$ 669,620	$ 8,716,714
Machinery and equipment	12,656,084	835,794	648,453	12,843,425
Infrastructure	13,846,715	841,770		14,688,485
Total	34,919,973	2,646,724	1,318,073	36,248,624
Total capital assets being depreciated, net	53,775,236	(2,108,727)	567,018	51,099,491
Governmental activities capital assets, net	$57,459,538	$(1,395,577)	$ 921,919	$55,142,042

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	$ 329,189
Public safety	930,196
Highways and streets	1,104,385
Health	54,723
Culture and recreation	116,636
Education	111,595
Total governmental activities depreciation expense	$2,646,724

On June 24, 2019, the County sold the old adult detention facility to the City of Safford, resulting in a $591,010 decrease in assets in the amounts of $48,691 in land and $542,319 in buildings, net of accumulated depreciation.

Note 5 – Short-term loans

The County Treasurer invests in the County's registered warrants to cover timing differences in the receipt of revenue and the payment of obligations during the year. At June 30, 2019, the County had an outstanding balance of $0. The activity for the year ended June 30, 2019, was as follows:

	Fiscal year 2019
Beginning balance	$ 0
Total borrowings	2,189,799
Total payments	2,189,799
Ending balance	$ 0

Note 6 – Long-term liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2019:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due within 1 year
Governmental activities					
Bonds payable:					
Revenue bonds	$26,110,000		$ 235,000	$25,875,000	$ 240,000
Premium on bonds	856,563		38,934	817,629	38,935
Total bonds payable	26,966,563		273,934	26,692,629	278,935
Compensated absences payable	1,146,922	$790,341	749,651	1,187,612	831,328
Capital leases payable	745,783		53,166	692,617	259,985
Net pension liability	32,670,623		5,610,231	27,060,392	
Landfill closure and post-closure care costs payable	74,767	1,448	2,200	74,015	2,280
Total governmental activities long-term liabilities	$61,604,658	$791,789	$6,689,182	$55,707,265	$1,372,528

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 2019 and each year thereafter. The sales tax, which was voter approved for the purpose of building the adult detention facility, began on July 1, 2015 and continues for 25 years. One hundred percent of this special sales tax collected is pledged to be used for required debt repayment of the bonds. The revenue bonds were issued on September 23, 2015. For fiscal year 2019, $2,155,395 of pledged revenues were recognized. Interest payments of $1,158,619 and principal payments of $235,000 were due in fiscal year 2019. The final bond principal and interest payments will be made on July 1, 2040.

The following bond was outstanding at June 30, 2019:

Description	Amount issued	Maturity ranges	Interest rates	Outstanding principal
Revenue bonds	$26,340,000	7/1/2019-7/1/2040	3.500%-5.000%	$25,875,000

The following schedule details debt service requirements to maturity for the County's bond payable at June 30, 2019:

	Governmental activities Revenue bonds	
Year ending June 30	Principal	Interest
2020	$ 240,000	$ 1,150,294
2021	250,000	1,140,494
2022	790,000	1,115,744
2023	830,000	1,075,244
2024	870,000	1,032,744
2025-2029	5,055,000	4,447,594
2030-2034	6,355,000	3,127,131
2035-2039	7,860,000	1,591,306
2040-2041	3,625,000	151,078
Total	$25,875,000	$14,831,629

Capital leases—The County has acquired a building and equipment under the provisions of various long-term lease agreements classified as capital leases for accounting purposes because they provide for a bargain purchase option or a transfer of ownership by the end of the lease term.

The following assets were acquired through capital leases:

	Governmental activities
Assets:	
Equipment	$637,045
Building	417,288
Less: accumulated depreciation	463,750
Carrying value	$590,583

The following schedule details debt service requirements to maturity for the County's capital leases payable at June 30, 2019:

	Governmental activities
Year ending June 30	
2020	$275,846
2021	70,717
2022	70,021
2023	69,789
2024	153,132
2025	117,568
Total minimum lease payments	757,073
Less amount representing interest	64,456
Present value of net minimum lease payments	$692,617

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

The County closed the landfill in 2003. The $74,015 reported as landfill postclosure care costs payable at June 30, 2019, is based on what it would cost to perform all remaining postclosure care in fiscal year 2019. 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 2019, the County paid for compensated absences as follows: 56 percent from general fund, 8 percent from the highway road fund, 17 percent from the jail district operations fund and 19 percent from other governmental funds.

Note 7 – Fund balance classifications of the governmental funds

The fund balance classifications of the governmental funds as of June 30, 2019, 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		$ 298,549				$ 298,549
Prepaid items	$ 330,000					330,000
Total nonspendable	330,000	298,549				628,549
Restricted for:						
Social services					$ 427,251	427,251
Law enforcement			$117,411		167,925	285,336
Highways and streets		5,609,985				5,609,985
Health					492,775	492,775
Education					205,865	205,865
Debt service				$5,995,133		5,995,133
Capital outlay					25,500	25,500
Total restricted		5,609,985	117,411	5,995,133	1,319,316	13,041,845
Committed to:						
Social services					235,814	235,814
Highways and streets					341,763	341,763
Education					2,181	2,181
Total committed					579,758	579,758
Assigned to:						
Social services					685,003	685,003
Law enforcement					125,952	125,952
Health					284,246	284,246
Culture and recreation					251,948	251,948
Education					934,684	934,684
Capital outlay					29,313	29,313
Total assigned					2,311,146	2,311,146
Unassigned:	3,726,279					3,726,279
Total fund balances	$4,056,279	$5,908,534	$117,411	$5,995,133	$4,210,220	$20,287,577

Note 8 – Risk management

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

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 12 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; 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 $5,000 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 12 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 that allocates pool expenditures and liabilities among the members.

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

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

Note 9 – Pensions

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

At June 30, 2019, 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	$27,060,392
Net pension asset	35,810
Deferred outflows of resources	6,735,312
Deferred inflows of resources	6,617,650
Negative pension expense	1,641,538

The County's accrued payroll and employee benefits includes $37,377 of outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2019. Also, the County reported $2,339,281 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 earning. 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, 2019, statute required active ASRS members to contribute at the actuarially determined rate of 11.64 percent of the members' annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 11.18 percent of the active members' annual covered payroll. In addition, the County was required by statute to contribute at the actuarially determined rate of 10.41 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, 2019, were $762,285.

During fiscal year 2019, the County paid for ASRS pension contributions as follows: 58.1 percent from the General Fund, 13.8 percent from the Highway Road Fund, 1.4 percent from the Jail District Operations Fund, and 26.7 percent from other funds.

Pension liability—At June 30, 2019, the County reported a liability of $9,399,928 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2018. 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, 2017, to the measurement date of June 30, 2018. The total pension liability as of June 30, 2018, reflects changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the discount rate from 8 percent to 7.5 percent, changing the projected salary increases from 3-6.75 percent to 2.7-7.2 percent, decreasing the inflation rate from 3 percent to 2.3 percent, and changing the mortality rates.

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, 2018. The County's proportion measured as of June 30, 2018, was 0.0674 percent, which was a decrease of 0.0024 from its proportion measured as of June 30, 2017.

Pension expense and deferred outflows/inflows of resources—For the year ended June 30, 2019, the County recognized negative pension expense for ASRS of $184,223. At June 30, 2019, 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	$ 258,960	$ 51,821
Changes of assumptions or other inputs	248,739	833,432
Net difference between projected and actual earnings on pension plan investments		226,046
Changes in proportion and differences between County contributions and proportionate share of contributions		470,174
County contributions subsequent to the measurement date	762,285	
Total	$1,269,984	$1,581,473

The $762,285 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, 2020. 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	
2020	(234,757)
2021	(394,749)
2022	(342,895)
2023	(101,373)

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

ASRS	
Actuarial valuation date	June 30, 2017
Actuarial roll forward date	June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7-7.2%
Inflation	2.3%
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

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

ASRS Asset class	Target allocation	Long-term expected geometric real rate of return
Equity	50%	5.50%
Fixed income	30%	3.83%
Real estate	20%	5.85%
Total	100%	

Discount rate—At June 30, 2018, the discount rate used to measure the ASRS total pension liability was 7.5 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that contributors from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

ASRS	1% decrease (6.5%)	Current discount rate (7.5%)	1% increase (8.5%)
County's proportionate share of the net pension liability	$13,399,814	$9,399,928	$6,058,088

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

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

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

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

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

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

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

CORP	**Initial membership date:**	
Retirement and disability	**Before January 1, 2012**	**On or after January 1, 2012 and before 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
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%	
Accidental disability retirement	50% or normal retirement if more than 20 years of credited service	50% or normal retirement if more than 25 years of credited service
Total and permanent disability retirement	50% or normal retirement if more than 25 years of credited service	
Ordinary disability retirement	2.5% per year of credited service	
Survivor benefit		
Retired members	80% of retired member's pension benefit	
Active members	40% of average monthly compensation or 100% of average monthly compensation if death was the result of injuries received on the job. If there is no surviving spouse or eligible children, the beneficiary is entitled to 2 times the member's contributions.	

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, 2019, 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	8	5	0
Inactive employees entitled to but not yet receiving benefits	4	15	4
Active employees	19	39	4
Total	31	59	8

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, 2019, are indicated below. Rates are a percentage of active members' annual covered payroll.

	Active member—pension	County—pension
PSPSRS Sheriff	7.65%-11.65%	29.27-31.56%
CORP Detention	8.41	10.37
CORP Dispatchers	7.96	8.03
CORP AOC	8.41	32.43

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	19.59%	4.10%	0.00%	24.49%

The County's contributions to the plans for the year ended June 30, 2019, were:

	Pension
PSPRS Sheriff	$615,334
CORP Detention	280,118
CORP Dispatchers	10,964
CORP AOC	282,147

During fiscal year 2019, the County paid for PSPRS and CORP pension contributions as follows: 51.2 percent from the General Fund, 25.3 percent from the Jail District Operations Fund, and 23.5 percent from other funds.

Pension liability (asset)—At June 30, 2019, the County reported the following net pension liabilities and asset:

	Net pension liability
PSPRS Sheriff	$3,683,446
CORP Detention	601,780
CORP Dispatchers	(35,810)
CORP AOC (County's proportionate share)	3,923,763

The net pension liabilities and asset were measured as of June 30, 2018, and the total liability used to calculate the net pension liability and asset was determined by an actuarial valuation as of that date. The total CORP pension liabilities as of June 30, 2018, reflect statutory changes in benefit terms for automatic cost-of-living adjustments. The basis for cost-of-living adjustments was changed from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent.

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

PSPRS and CORP—Pension	
Actuarial valuation date	June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.4%
Wage inflation	3.5%
Price inflation	2.5%
Cost-of-living adjustment	Included
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS and CORP pension plan investments was determined to be 7.4 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
Short term investments	2%	0.25%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTS	12%	3.96%
Private credit	16%	6.75%
Real estate	10%	3.75%
Private equity	12%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	16%	7.60%
Total	100%	

Pension discount rates—At June 30, 2018, the discount rate used to measure the PSPRS and CORP total pension liabilities was 7.4 percent, which was the same as the discount rate used as of June 30, 2017. 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

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a) – (b)
Balances at June 30, 2018	$8,202,943	$4,573,972	$3,628,971
Changes for the year:			
Service cost	216,213		216,213
Interest on the total pension liability	594,532		594,532
Differences between expected and actual experience in the measurement of the pension liability	33,814		33,814
Contributions—employer		383,852	(383,852)
Contributions—employee		96,079	(96,079)
Net investment income		312,773	(312,773)
Benefit payments, including refunds of employee contributions	(553,668)	(553,668)	
Administrative expense		(5,460)	5,460
Other changes		2,840	(2,840)
Net changes	290,891	236,416	54,475
Balances at June 30, 2019	$8,493,834	$4,810,388	$3,683,446

CORP—Detention

	Increase (decrease)		
	Total pension liability (a)	**Plan fiduciary net position (b)**	**Net pension liability (a) – (b)**
Balances at June 30, 2018	$2,924,066	$2,136,765	$ 787,301
Changes for the year:			
Service cost	203,644		203,644
Interest on the total pension liability	213,815		213,815
Changes of benefit terms	(81,792)		(81,792)
Differences between expected and actual experience in the measurement of the pension liability	(139,068)		(139,068)
Contributions—employer		120,374	(120,374)
Contributions—employee		111,107	(111,107)
Net investment income		153,706	(153,706)
Benefit payments, including refunds of employee contributions	(272,984)	(272,984)	
Administrative expense		(3,025)	3,025
Other changes		(40)	40
Net transfers		(2)	2
Net changes	(76,385)	109,136	(185,521)
Balances at June 30, 2019	$2,847,681	$2,245,901	$ 601,780

CORP—Dispatchers

	Increase (decrease)		
	Total pension liability (a)	**Plan fiduciary net position (b)**	**Net pension liability (asset) (a) – (b)**
Balances at June 30, 2018	$605,353	$604,169	$ 1,184
Changes for the year:			
Service cost	25,228		25,228
Interest on the total pension liability	45,702		45,702
Changes of benefit terms	(35,339)		(35,339)
Differences between expected and actual experience in the measurement of the pension liability	(6,865)		(6,865)
Contributions—employer		10,176	(10,176)
Contributions—employee		12,559	(12,559)
Net investment income		44,368	(44,368)
Benefit payments, including refunds of employee contributions	(751)	(751)	
Administrative expense		(1,371)	1,371
Other changes		(12)	12
Net changes	27,975	64,969	(36,994)
Balances at June 30, 2019	$633,328	$669,138	$(35,810)

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, 2018. The County's proportion measured as of June 30, 2018, was 1.090015 percent, which was a decrease of 0.08316 from its proportion measured as of June 30, 2017.

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 (asset) calculated using the discount rate of 7.4 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 (6.4 percent) or 1 percentage point higher (8.4 percent) than the current rate:

	1% decrease (6.4%)	**Current discount rate** (7.4%)	**1% increase** (8.4%)
PSPRS Sheriff			
Net pension liability	$4,940,563	$3,683,446	$2,676,135
CORP Detention			
Net pension liability	$1,042,442	$ 601,780	$ 251,778
CORP Dispatchers			
Net pension liability (asset)	$ 97,276	$ (35,810)	$ (140,119)
CORP AOC			
County's proportionate share of the net pension liability	$5,133,220	$3,923,763	$2,942,365

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, 2019, the County recognized the following pension expense:

	Pension expense
PSPRS Sheriff	$590,195
CORP Detention	29,231
CORP Dispatchers	(32,036)
CORP AOC (County's proportionate share)	(35,805)

Pension deferred outflows/inflows of resources—At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS	**Deferred outflows of resources**	**Deferred inflows of resources**
Differences between expected and actual experience	$ 99,156	$28,060
Changes of assumptions or other inputs	240,332	
Net difference between projected and actual earnings on pension plan investments	50,796	
County contributions subsequent to the measurement date	615,334	
Total	$1,005,618	$28,060

CORP—Detention	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience		$278,496
Changes of assumptions or other inputs	$135,138	
Net difference between projected and actual earnings on pension plan investments	22,739	
County contributions subsequent to the measurement date	280,118	
Total	$437,995	$278,496

CORP—Dispatchers	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience		$40,096
Changes of assumptions or other inputs	$ 2,666	4,571
Net difference between projected and actual earnings on pension plan investments	6,050	
County contributions subsequent to the measurement date	10,964	
Total	$19,680	$44,667

CORP—AOC	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 14,694	$201,824
Changes of assumptions or other inputs	260,251	
Net difference between projected and actual earnings on pension plan investments	70,979	
Changes in proportion and differences between County contributions and proportionate share of contributions	44,009	389,134
County contributions subsequent to the measurement date	282,147	
Total	$672,080	$590,958

The amounts reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. 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				
2020	$212,871	$(13,501)	$ (6,279)	$ 41,084
2021	127,464	(28,958)	(10,375)	(66,167)
2022	9,607	(40,732)	(15,827)	(104,885)
2023	11,103	(23,570)	(2,930)	(71,057)
2024	1,179	(13,858)	(540)	

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, 2019, 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, 2019, the County recognized pension expense of $7,009.

C. Elected Officials Retirement Plan

Plan description—Elected officials and judges participate in the Elected Officials Retirement Plan (EORP), 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

EORP	**Initial membership date:** **Before January 1, 2012**	**On or after January 1, 2012**
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	80% with 10 or more years of service	75% with 10 or more years of service
Retirement	40% with 5 to 10 years of service	37.5% with 5 to 10 years of service
	20% with less than 5 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 of 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, 2019, statute required active EORP members to contribute 7 or 13 percent of the members' annual covered payroll and the County to contribute at the actuarially determined rate of 61.5 percent of all active EORP members' annual covered payroll. Also, statute required the County to contribute 55.5 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 EODCRS for these elected officials and judges. The County's contribution to the pension plan for the year ended June 30, 2019, were $388,433.

During fiscal year 2019, the County paid for EORP pension contributions as follows: 100 percent from the General Fund.

Pension liability—At June 30, 2019, 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	$ 9,451,475
State's proportionate share of the EORP net pension liability associated with the County	1,619,449
Total	$11,070,924

The net pension liability was measured as of June 30, 2018, 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, 2018, reflect statutory changes in benefit terms for automatic cost-of-living adjustments. The basis for cost-of-living adjustments was changed from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 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, 2018. The County's proportion measured as of June 30, 2018, was 1.4999906 percent, which was an increase of 0.4600183 from its proportion measured as of June 30, 2017.

Pension expense—For the year ended June 30, 2019, the County recognized negative pension expense for EORP of $2,008,900 and negative revenue of $460,449 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, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

EORP	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience		$ 147,410
Changes of assumptions or other inputs	$ 58,890	3,934,721
Net difference between projected and actual earnings on pension plan investments	82,016	
Changes in proportion and differences between County contributions and proportionate share of contributions	2,800,616	11,865
County contributions subsequent to the measurement date	388,433	
Total	$3,329,955	$4,093,996

The $388,433 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, 2020. 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	
2020	$(1,059,095)
2021	(59,946)
2022	(34,794)
2023	1,361

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

EORP pension	
Actuarial valuation date	June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.4%
Wage inflation	3.5%
Price inflation	2.5%
Permanent benefit increase	Included
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience.

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on EORP pension plan investments was determined to be 7.4 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**
Short term investments	2%	0.25%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTS	12%	3.96%
Private credit	16%	6.75%
Real estate	10%	3.75%
Private equity	12%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	16%	7.60%
Total	100%	

Discount rate—At June 30, 2018, the discount rate used to measure the EORP total pension liability was 7.4 percent, which was an increase of 3.49 from the discount rate used as of June 30, 2017. 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 7.4 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 (6.4 percent) or 1 percentage point higher (8.4 percent) than the current rate:

EORP	1% decrease (6.4%)	Current discount rate (7.4%)	1% increase (8.4%)
County's proportionate share of the net pension liability	$10,852,490	$9,451,475	$8,260,570

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, 2019, 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, 2019, the County recognized pension expense of $6,395.

Note 10 – Interfund activity

Interfund transfers—Interfund transfers for the year ended June 30, 2019, were as follows:

	Transfer to				
Transfer from	General Fund	Highway Road Fund	Jail District Operations Fund	Other governmental funds	Total
General Fund			$2,962,593	$106,847	$3,069,440
Highway Road Fund				335,321	335,321
Other governmental funds	$169,224	$5,354		2,481	177,059
Total	$169,224	$5,354	$2,962,593	$444,649	$3,581,820

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. $2,962,593, which represents the majority of the $3,069,440 transfers from the general fund was to fund statutorily required maintenance of effort payments to the jail district operations fund.

Note 11 – 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, $7,213 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 $537,254 of deposits and $63,897 of investments in the State Treasurer's investment pools, and $5,609,397 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	$ 4,361,613	None stated	None stated	$ 4,361,613
State Treasurer's investment pool 7	3,059,859	None stated	None stated	3,059,859
Negotiable certificates of deposit	11,409,000	1.10-3.15%	08/19 – 09/22	11,429,402
U.S. agency securities	9,934,740	1.125-2.125%	07/19 – 05/21	9,917,652
School district warrants	3,342,489	None stated	Indefinite	3,342,489

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

Statement of net position	
Assets	$ 34,171,918
Net position	$ 34,171,918
Net position held in trust for:	
Internal participants	$ 12,066,412
External participants	22,105,506
Total net position held in trust	$ 34,171,918
Statement of changes in net position	
Total additions	$126,195,210
Total deductions	124,126,491
Net increase	2,068,719
Net position held in trust:	
July 1, 2018	32,103,199
June 30, 2019	$ 34,171,918

Other required supplementary information

Graham County
Required supplementary information
Budgetary comparison schedule
General Fund
Year ended June 30, 2019

	Budgeted amounts Original	Budgeted amounts Final	Actual amounts	Variance with final budget
Revenues:				
Property taxes	$ 5,830,075	$ 5,830,075	$ 5,800,166	$ (29,909)
County sales taxes	2,150,000	2,150,000	2,166,228	16,228
Licenses and permits	61,000	61,000	55,358	(5,642)
Intergovernmental	9,798,099	9,798,099	9,760,316	(37,783)
Charges for services	1,326,696	1,326,696	1,241,927	(84,769)
Fines and forfeits	225,000	225,000	181,045	(43,955)
Investment earnings	1,000	1,000	8,321	7,321
Rents	22,000	22,000	16,984	(5,016)
Miscellaneous	191,425	191,425	174,300	(17,125)
Donations	50,000	50,000		(50,000)
Total revenues	19,655,295	19,655,295	19,404,645	(250,650)
Expenditures:				
Current				
General government				
Board of supervisors	879,823	879,823	728,039	151,784
Treasurer	363,591	363,591	309,255	54,336
Assessor	715,350	715,350	603,707	111,643
Recorder	299,191	299,191	247,006	52,185
Elections	173,076	173,076	149,682	23,394
Attorney	1,015,278	1,015,278	729,710	285,568
Human resources	96,047	96,047	78,638	17,409
Clerk of the court	550,618	550,618	477,325	73,293
Superior court	1,009,084	1,009,084	699,954	309,130
Justice of the peace No.1	433,434	433,434	353,189	80,245
Justice of the peace No.2	273,472	273,472	227,288	46,184
Victim witness	14,103	14,103	6,533	7,570
Public fiduciary	89,233	89,233	80,417	8,816
Planning and zoning	293,595	293,595	257,709	35,886
Building maintenance	248,344	248,344	231,327	17,017
Electrical maintenance	9,801	9,801	5,947	3,854
General services	243,500	243,500	165,667	77,833
Contingency	1,459,280	1,459,280		1,459,280
Miscellaneous	352,701	352,701	293,887	58,814
Medical examiner	61,100	61,100	52,321	8,779
Information technology	1,334,892	1,334,892	943,527	391,365
Total general government	9,915,513	9,915,513	6,641,128	3,274,385

(Continued)

See accompanying notes to budgetary comparison schedules.

Graham County
Required supplementary information
Budgetary comparison schedule
General Fund
Year ended June 30, 2019
(Continued)

	Budgeted amounts Original	Budgeted amounts Final	Actual amounts	Variance with final budget
Public safety				
Probation	$ 190,457	$ 190,457	$ 165,925	$ 24,532
Sheriff	3,359,033	3,359,033	3,408,739	(49,706)
Search and rescue	15,151	15,151	12,593	2,558
Juvenile detention center	749,092	749,092	548,330	200,762
Animal shelter	265,435	265,435	188,413	77,022
Total public safety	4,579,168	4,579,168	4,324,000	255,168
Sanitation				
Sanitary landfill	115,017	115,017	70,624	44,393
Health				
Health services	228,122	228,122	204,709	23,413
Welfare				
Attorney for the indigent	508,000	508,000	506,842	1,158
Indigent medical	2,195,100	2,195,100	2,192,959	2,141
Total welfare	2,703,100	2,703,100	2,699,801	3,299
Cultural and recreation				
Parks and recreation	438,844	438,844	374,252	64,592
Education				
School superintendent	243,712	243,712	239,262	4,450
Capital outlay	300,000	300,000	176,321	123,679
Total expenditures	18,523,476	18,523,476	14,730,097	3,793,379
Excess of revenues over expenditures	1,131,819	1,131,819	4,674,548	3,542,729

(Continued)

See accompanying notes to budgetary comparison schedules.

Graham County
Required supplementary information
Budgetary comparison schedule
General Fund
Year ended June 30, 2019
(Continued)

	Budgeted amounts		Actual	Variance with
	Original	Final	amounts	final budget
Other financing sources (uses):				
Proceeds from sale of capital assets			$ 332,683	$ (332,683)
Transfers in	$ 887,688	$ 887,688	169,224	718,464
Transfers out	(3,085,459)	(3,085,459)	(3,069,440)	(16,019)
Total other financing uses	(2,197,771)	(2,197,771)	(2,567,533)	(369,762)
Net change in fund balances	(1,065,952)	(1,065,952)	2,107,015	3,172,967
Fund balance, July 1, 2018	1,065,952	1,065,952	1,949,264	883,312
Fund balance, June 30, 2019	$ -	$ -	$ 4,056,279	$ 4,056,279

See accompanying notes to budgetary comparison schedules.

Graham County
Required supplementary information
Budgetary comparison schedule
Highway Road Fund
Year ended June 30, 2019

	Budgeted amounts Original	Budgeted amounts Final	Actual amounts	Variance with final budget
Revenues:				
Intergovernmental	$ 4,174,109	$ 4,174,109	$ 4,237,833	$ 63,724
Charges for services	20,000	20,000	146,189	126,189
Investment earnings	55,000	55,000	87,444	32,444
Miscellaneous	32,000	32,000	73,902	41,902
Total revenues	4,281,109	4,281,109	4,545,368	264,259
Expenditures:				
Current:				
Highways and streets				
General road	7,270,425	7,270,425	3,267,839	4,002,586
Engineering	484,651	484,651	203,480	281,171
Safety department	4,404	4,404		4,404
Total highways and streets	7,759,480	7,759,480	3,471,319	4,288,161
Capital outlay	936,500	936,500	120,601	815,899
Total expenditures	8,695,980	8,695,980	3,591,920	5,104,060
Excess (deficiency) of revenues over expenditures	(4,414,871)	(4,414,871)	953,448	5,368,319
Other financing sources (uses):				
Proceeds from sale of capital assets			3,000	3,000
Transfers in	132,548	132,548	5,354	(127,194)
Transfers out	(443,072)	(443,072)	(335,321)	107,751
Total other financing uses	(310,524)	(310,524)	(326,967)	(16,443)
Net change in fund balances	(4,725,395)	(4,725,395)	626,481	5,351,876
Fund balances, July 1, 2018	4,725,395	4,725,395	5,289,709	564,314
Changes in nonspendable resources:				
Decrease in inventories			(7,656)	(7,656)
Fund balances, June 30, 2019	$ -	$ -	$ 5,908,534	$ 5,908,534

See accompanying notes to budgetary comparison schedules.

Graham County
Required supplementary information
Budgetary comparison schedule
Jail District Operations Fund
Year ended June 30, 2019

	Budgeted amounts		Actual	Variance with
	Original	Final	amounts	final budget
Revenues:				
Intergovernmental	$ 973,750	$ 973,750	$ 964,438	$ (9,312)
Charges for services	46,300	46,300	36,095	(10,205)
Investment earnings	2,000	2,000	2,117	117
Miscellaneous	71,581	71,581	217	(71,364)
Total revenues	1,093,631	1,093,631	1,002,867	(90,764)
Expenditures:				
Current:				
Public safety	3,857,754	3,857,754	3,830,735	27,019
Capital outlay			16,105	(16,105)
Total expenditures	3,857,754	3,857,754	3,846,840	10,914
Excess of deficiency of revenues over (under) expenditures	(2,764,123)	(2,764,123)	(2,843,973)	(79,850)
Other financing sources (uses):				
Proceeds from sale of capital assets			9	9
Transfers in	2,963,593	2,963,593	2,962,593	(1,000)
Transfers out	(241,175)	(241,175)		241,175
Total other financing sources	2,722,418	2,722,418	2,962,602	240,184
Net change in fund balances	(41,705)	(41,705)	118,629	160,334
Fund balances, July 1, 2018	41,705	41,705	(1,218)	(42,923)
Fund balances, June 30, 2019	$ -	$ -	$ 117,411	$ 117,411

See accompanying notes to budgetary comparison schedules.

Graham County
Required supplementary information
Notes to budgetary comparison schedules
June 30, 2019

Note 1 – Budgeting and budgetary control

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

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

Note 2 – Expenditures in excess of appropriations

For the year ended June 30, 2019, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

Department/fund	Excess
Sheriff department	49,706

The excess in the Sheriff department was a direct result of an end-of-the-year decision to send an unbudgeted $300,000 to PSPRS to address unfunded pension liability.

Graham County
Required supplementary information
Schedule of the County's proportionate share of the net pension liability
Cost-sharing pension plans
June 30, 2019

Arizona State Retirement System

	Reporting fiscal year (Measurement date)					
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2010
County's proportion of the net pension liability	0.067400%	0.069800%	0.073220%	0.074090%	0.071692%	
County's proportionate share of the net pension liability	$ 9,399,928	$ 10,873,479	$ 11,818,443	$ 11,540,653	$ 10,607,990	
County's covered payroll	$ 6,707,392	$ 7,074,003	$ 6,869,957	$ 6,847,161	$ 6,476,618	Information not available
County's proportionate share of the net pension liability as a percentage of its covered payroll	140.14%	153.71%	172.03%	168.55%	163.79%	
Plan fiduciary net position as a percentage of the total pension liability	73.40%	69.92%	67.06%	68.35%	69.49%	

Corrections Officer Retirement Plan—Administrative Office of the Courts

	Reporting fiscal year (Measurement date)					
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2010
County's proportion of the net pension liability	1.090015%	1.173175%	1.203620%	1.321665%	1.232231%	
County's proportionate share of the net pension liability	$ 3,923,763	$ 4,707,005	$ 3,396,055	$ 3,213,105	$ 2,765,040	
County's covered payroll	$ 1,272,621	$ 1,376,650	$ 1,391,108	$ 1,394,172	$ 1,372,002	Information not available
County's proportionate share of the net pension liability as a percentage of its covered payroll	308.32%	341.92%	244.13%	230.47%	201.53%	
Plan fiduciary net position as a percentage of the total pension liability	53.72%	49.21%	54.81%	57.89%	58.59%	

Elected Officials Retirement Plan

	Reporting fiscal year (Measurement date)					
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2010
County's proportion of the net pension liability	1.499906%	1.03997%	1.0560888%	0.9676842%	0.9420437%	
County's proportionate share of the net pension liability	$ 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	$ 1,619,449	$ 2,630,160	$ 2,060,080	$ 2,357,511	$ 1,935,486	Information not available
Total	$ 11,070,924	$ 15,302,843	$ 12,037,508	$ 9,919,492	$ 8,252,567	
County's covered payroll	$ 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	1075.57%	1454.13%	1158.54%	872.33%	729.61%	
Plan fiduciary net position as a percentage of the total pension liability	30.36%	19.66%	23.42%	28.32%	31.91%	

Graham County

Required supplementary information
Schedule of changes in the County's net pension liability (asset) and related ratios
Agent pension plans
June 30, 2019

PSPRS

	Reporting fiscal year (Measurement date)					
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2010
Total pension liability						
Service cost	$ 216,213	$ 224,725	$ 161,447	$ 160,546	$ 192,299	
Interest on the total pension liability	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	33,814	(6,699)	212,998	(29,096)	(396,687)	
Changes of assumptions or other inputs		196,027	285,576		606,963	
Benefit payments, including refunds of employee contributions	(553,668)	(305,962)	(205,520)	(284,120)	(182,340)	
Net changes in total pension liability	290,891	772,682	1,204,414	307,101	735,527	
Total pension liability—beginning	8,202,943	7,430,261	6,225,847	5,918,746	5,183,219	
Total pension liability—ending (a)	$ 8,493,834	$ 8,202,943	$ 7,430,261	$ 6,225,847	$ 5,918,746	
Plan fiduciary net position						
Contributions—employer	$ 383,852	$ 387,287	$ 350,828	$ 193,270	$ 195,845	
Contributions—employee	96,079	114,060	120,677	101,878	98,297	
Net investment income	312,773	471,427	21,393	125,056	414,968	Information not available
Benefit payments, including refunds of employee contributions	(553,668)	(305,962)	(205,520)	(284,120)	(182,340)	
Administrative expense	(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	236,416	707,236	327,322	116,909	433,844	
Plan fiduciary net position—beginning	4,573,972	3,866,736	3,539,414	3,422,505	2,988,661	
Plan fiduciary net position—ending (b)	$ 4,810,388	$ 4,573,972	$ 3,866,736	$ 3,539,414	$ 3,422,505	
County's net pension liability—ending (a) – (b)	$ 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	56.60%	55.76%	52.04%	56.85%	57.82%	
Covered payroll	$ 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	326.81%	337.52%	344.44%	287.25%	248.09%	

Graham County
Required supplementary information
Schedule of changes in the County's
net pension liability (asset) and related ratios
Agent pension plans
June 30, 2019

CORP-Detention

	Reporting fiscal year (Measurement date)					
	2019 (2018)	**2018 (2017)**	**2017 (2016)**	**2016 (2015)**	**2015 (2014)**	**2014 through 2010**
Total pension liability						
Service cost	$ 203,644	$ 185,996	$ 167,701	$ 179,080	$ 159,853	
Interest on the total pension liability	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	(139,068)	(62,978)	(131,219)	(86,107)	(171,643)	
Changes of assumptions or other inputs		76,221	94,493		196,121	
Benefit payments, including refunds of employee contributions	(272,984)	(205,339)	(216,397)	(188,456)	(304,826)	
Net changes in total pension liability	(76,385)	461,685	61,234	85,896	86,369	
Total pension liability—beginning	2,924,066	2,462,381	2,401,147	2,315,251	2,228,882	
Total pension liability—ending (a)	$ 2,847,681	$ 2,924,066	$ 2,462,381	$ 2,401,147	$ 2,315,251	
Plan fiduciary net position						
Contributions—employer	$ 120,374	$ 103,251	$ 107,149	$ 74,587	$ 104,148	
Contributions—employee	111,107	104,932	104,762	122,500	93,360	
Net investment income	153,706	226,659	11,695	67,673	230,025	Information not available
Benefit payments, including refunds of employee contributions	(272,984)	(205,339)	(216,397)	(188,456)	(304,826)	
Administrative expense	(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	109,136	227,109	3,782	41,188	120,898	
Plan fiduciary net position—beginning	2,136,765	1,909,656	1,905,874	1,864,686	1,743,788	
Plan fiduciary net position—ending (b)	$ 2,245,901	$ 2,136,765	$ 1,909,656	$ 1,905,874	$ 1,864,686	
County's net pension liability—ending (a) – (b)	$ 601,780	$ 787,301	$ 552,725	$ 495,273	$ 450,565	
Plan fiduciary net position as a percentage of the total pension liability	78.87%	73.08%	77.55%	79.37%	80.54%	
Covered payroll	$ 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	45.85%	58.41%	44.41%	41.20%	40.70%	

Graham County
Required supplementary information
Schedule of changes in the County's
net pension liability (asset) and related ratios
Agent pension plans
June 30, 2019

CORP-Dispatchers

	Reporting fiscal year (Measurement date)					
	2019 (2018)	**2018 (2017)**	**2017 (2016)**	**2016 (2015)**	**2015 (2014)**	**2014 through 2010**
Total pension liability						
Service cost	$ 25,228	$ 23,154	$ 22,530	$ 29,562	$ 34,365	
Interest on the total pension liability	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	(6,865)	(11,358)	(16,635)	(21,537)	(29,030)	
Changes of assumptions or other inputs		(7,195)	4,101		1,695	
Benefit payments, including refunds of employee contributions	(751)		(29,158)		(17,295)	
Net changes in total pension liability	27,975	138,734	17,709	41,191	20,780	
Total pension liability—beginning	605,353	466,619	448,910	407,719	386,939	
Total pension liability—ending (a)	$ 633,328	$ 605,353	$ 466,619	$ 448,910	$ 407,719	
Plan fiduciary net position						
Contributions—employer	$ 10,176	$ 9,753	$ 10,904	$ 10,664	$ 14,898	
Contributions—employee	12,559	12,436	14,206	14,585	16,679	
Net investment income	44,368	63,027	3,221	18,096	56,641	Information not available
Benefit payments, including refunds of employee contributions	(751)		(29,158)		(17,295)	
Administrative expense	(1,371)	(951)	(856)	(835)	(444)	
Other changes	(12)	(3)	(3)	(380)		
Net changes in plan fiduciary net position	64,969	84,262	(1,686)	42,130	70,479	
Plan fiduciary net position—beginning	604,169	519,907	521,593	479,463	408,984	
Plan fiduciary net position—ending (b)	$ 669,138	$ 604,169	$ 519,907	$ 521,593	$ 479,463	
County's net pension liability (asset)—ending (a) – (b)	$ (35,810)	$ 1,184	$ (53,288)	$ (72,683)	$ (71,744)	
Plan fiduciary net position as a percentage of the total pension liability	105.65%	99.80%	111.42%	116.19%	117.60%	
Covered payroll	$ 157,771	$ 162,159	$ 179,580	$ 183,226	$ 209,895	
County's net pension liability (asset) as a percentage of covered payroll	(22.7)%	0.73%	(29.67)%	(39.67)%	(34.18)%	

Graham County
Required supplementary information
Schedule of County pension contributions
June 30, 2019

Arizona State Retirement System

	Reporting fiscal year 2019	2018	2017	2016	2015	2014	2013 through 2010
Statutorily required contribution	$ 762,285	$ 728,371	$ 760,067	$ 743,113	$ 743,150	$ 691,491	Information not available
County's contributions in relation to statutorily required contribution	762,285	728,371	760,067	743,113	743,150	691,491	
County's contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -	
County's covered payroll	$ 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	11.16%	10.86%	10.74%	10.82%	10.85%	10.68%	

Corrections Officer Retirement Plan—Administrative Office of the Courts

	Reporting fiscal year 2019	2018	2017	2016	2015	2014	2013 through 2010
Statutorily required contribution	$ 282,147	$ 283,788	$ 273,560	$ 256,909	$ 218,876	$ 191,632	Information not available
County's contributions in relation to statutorily required contribution	282,147	283,788	273,560	256,909	218,876	191,632	
County's contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -	
County's covered payroll	$ 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	32.11%	22.30%	19.87%	18.47%	15.70%	13.97%	

Elected Officials Retirement Plan

	Reporting fiscal year 2019	2018	2017	2016	2015	2014	2013 through 2010
Statutorily required contribution	$ 512,858	$ 202,056	$ 200,420	$ 199,399	$ 203,451	$ 200,725	Information not available
County's contributions in relation to statutorily required contribution	388,433	41,337	200,420	199,399	203,451	200,725	
County's contribution deficiency	$ 124,425	$ 160,719	$ -	$ -	$ -	$ -	
County's covered payroll	$ 876,826	$ 878,739	$ 871,498	$ 861,210	$ 866,869	$ 865,822	
County's contributions as a percentage of covered payroll	44.30%	4.70%	23.00%	23.15%	23.47%	23.18%	

Graham County
Required supplementary information
Schedule of County pension contributions
June 30, 2019

PSPRS

	Reporting fiscal year						
	2019	**2018**	**2017**	**2016**	**2015**	**2014**	**2013 through 2010**
Actuarially determined contribution	$ 315,334	$ 384,786	$ 344,554	$ 302,705	$ 193,270	$ 195,845	
County's contributions in relation to actuarially determined contribution	615,334	384,786	399,787	348,370	193,270	195,845	
County's contribution deficiency (excess)	$ (300,000)	$ -	$ (55,233)	$ (45,665)	$ -	$ -	Information not available
County's covered payroll	$ 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	57.48%	34.11%	37.18%	33.67%	20.67%	19.46%	

CORP—Detention

	Reporting fiscal year						
	2019	**2018**	**2017**	**2016**	**2015**	**2014**	**2013 through 2010**
Actuarially determined contribution	$ 130,118	$ 111,044	$ 107,785	$ 101,224	$ 74,587	$ 104,148	
County's contributions in relation to actuarially determined contribution	280,118	111,044	107,785	101,224	74,587	104,148	
County's contribution deficiency (excess)	$ (150,000)	$ -	$ -	$ -	$ -	$ -	Information not available
County's covered payroll	$ 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	17.75%	8.46%	8.00%	8.13%	6.20%	9.41%	

CORP—Dispatchers

	Reporting fiscal year						
	2019	**2018**	**2017**	**2016**	**2015**	**2014**	**2013 through 2010**
Actuarially determined contribution	$ 10,964	$ 10,176	$ 10,127	$ 10,952	$ 10,664	$ 14,898	
County's contributions in relation to actuarially determined contribution	10,964	10,176	10,127	10,952	10,664	14,898	
County's contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -	Information not available
County's covered payroll	$ 136,542	$ 157,771	$ 162,159	$ 179,580	$ 183,226	$ 209,895	
County's contributions as a percentage of covered payroll	8.03%	6.45%	6.25%	6.10%	5.82%	7.10%	

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 2017 actuarial valuation	20 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. in the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%-8.0% to 3.5%-7.5% for PSPRS and from 4.0%-7.25% to 3.5%-6.5% for CORP. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0% for PSPRS and from 4.5%-7.75% to 4.0%-7.25% for CORP. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5% for PSPRS and from 5.0%-8.25% to 4.5%-7.75% for CORP.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS and CORP. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS and CORP. In the 2013 actuarial valuation, wage grown was decreased from 5.0% to 4.5% for PSPRS and CORP
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 – June 30, 2011.
Mortality	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

Note 2 – Factors that affect trends

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

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

SINGLE AUDIT REPORT

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

ARIZONA AUDITOR GENERAL
LINDSEY A. PERRY

JOSEPH D. MOORE
DEPUTY AUDITOR GENERAL

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

Members of the Arizona State Legislature

The Board of Supervisors of
Graham County, Arizona

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Graham County as of and for the year ended June 30, 2019, 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 10, 2020.

Internal control over financial reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-01, 2019-02, and 2019-03, that we consider to be significant deficiencies.

Compliance and other matters

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

County response to findings

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

Purpose of this report

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

Lindsey Perry, CPA, CFE
Auditor General

March 10, 2020

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

ARIZONA AUDITOR GENERAL
LINDSEY A. PERRY

JOSEPH D. MOORE
DEPUTY AUDITOR GENERAL

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

Members of the Arizona State Legislature

The Board of Supervisors of
Graham County, Arizona

Report on compliance for each major federal program

We have audited Graham County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's responsibility

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

Auditors' responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on each major federal program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on internal control over compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-101, that we consider to be a material weakness.

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.

County response to findings

The County's response to the finding identified in our audit is 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 response and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

Lindsey Perry, CPA, CFE
Auditor General

March 10, 2020

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of auditors' results

Financial statements

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

Federal awards

Internal control over major programs	
Material weaknesses identified?	**Yes**
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)?	**Yes**

Identification of major programs

CFDA number	Name of federal program or cluster
10.665	Forest Service Schools and Roads Cluster
93.069	Public Health Emergency Preparedness

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

Other matters

Auditee's summary schedule of prior audit findings required to be reported in accordance with 2 CFR §200.511(b)?	Yes

Financial statement findings

2019-01

The County's financial statement preparation process did not prevent or detect significant misstatements, which elevates the risk that those relying on the information may be mislead

Condition and context—The County did not accurately compile and thoroughly review its financial statements. As a result, the County's initially prepared financial statements contained misstatements and errors that required correction. For example, the County overstated general government expenses by $1,555,355 and understated public safety expenses and deferred outflows related to pensions by $1,941,428 and $450,000, respectively, because it did not properly report pension contributions.

Criteria—The County should prepare its financial statements in accordance with U.S. generally accepted accounting principles (GAAP). Accurate financial statements provide valuable information to those charged with governance, management, and other financial statement users to make important decisions about the County's financial operations.

Effect—There is an elevated risk that the County's financial statements could contain significant misstatements and mislead those relying on the information. The County made all necessary adjustments to correct the information in its financial statements published in its Annual Financial Report.

Cause—The County had limited staff and resources and, therefore, had not developed policies and procedures to accurately prepare and perform a thorough review of its financial statements.

Recommendations—To help ensure that the County's financial statements are accurate and prepared in accordance with GAAP and do not mislead those relying on the information, the County should:

- Develop and implement comprehensive policies and procedures for preparing its financial statements, including instructions for closing and compiling data from the County's accounting system, preparing common year-end adjustments, obtaining information not readily available from the accounting system but necessary for financial statement preparation, and performing a detailed supervisory review of the draft financial statements, supporting schedules, and note disclosures.
- Require an employee who is independent of financial statements' preparation and knowledgeable of GAAP to review the financial statements and related note disclosures. This review should ensure the financial statements are accurate and complete, properly supported, and presented in accordance with GAAP.

The County's responsible officials' views and planned corrective action are in its corrective action plan at the end of this report.

This finding is similar to prior-year finding 2018-01.

2019-02

Managing risk

Condition and context—The County's process for managing and documenting its risks did not include an overall risk assessment process that included identifying, analyzing, and responding to the County-wide information technology (IT) risks, such as potential harm from unauthorized access, use, disclosure, disruption, modification, or destruction of IT data and systems. Also, it did not include identifying, classifying, and inventorying sensitive information that might need stronger access and security controls.

Criteria—Effectively managing risk at the County includes an entity-wide risk assessment process that involves members of the County's administration and IT management to determine the risks the County faces as it seeks to achieve its objectives to not only report accurate financial information and protect its IT systems and data but to also carry out its overall mission and service objectives. The process should provide the basis for developing appropriate responses based on identified risk tolerances and specific potential risks to which the County might be subjected. To help ensure the County's objectives can be met, an annual risk assessment should consider IT risks. For each identified risk, the County should analyze the identified risk and develop a plan to respond within the context of the County's defined objectives and risk tolerances. The process of managing risks should also address the risk of unauthorized access and use, modification, or loss of sensitive information.

Effect—Without correcting these deficiencies, the County's administration and IT management may put the County's operations and IT systems and data at unintended and unnecessary risk.

Cause—The County prepared a draft risk assessment policy but had not implemented it because the County had limited staff and resources.

Recommendations—The County should identify, analyze, and reduce risks to help prevent undesirable incidents and outcomes that could impact business functions and IT systems and data. It also should plan for where to allocate resources and where to implement critical controls. To help ensure it has effective entity-wide policies and procedures to achieve these objectives, the County should follow guidance from a credible industry source, such as the National Institute of Standards and Technology. Responsible administrative officials and management over finance, IT, and other County functions should be asked for input in the County's process for managing risk. The County should conduct the following as part of its process for managing risk:

- Perform an annual County-wide IT risk assessment process that includes evaluating and documenting risks and safeguards. Such risks may include inappropriate access that would affect financial data, system changes that could adversely impact or disrupt system operations, and inadequate or outdated system security.
- 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 responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year finding 2018-03.

2019-03

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

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

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

Criteria—The County should have effective internal controls to protect its IT systems and help ensure the integrity and accuracy of the data it maintains.

- **Logical access controls—**Help to ensure systems and data are accessed by users who have a need, systems and data access granted is appropriate, and key systems and data access is monitored and reviewed.
- **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.
- **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.

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 had not fully developed and implemented policies and procedures because of its limited staff and resources.

Recommendations—To help ensure the County has effective policies and procedures over its IT systems and data, the County should follow guidance from a credible industry source, such as the National Institute of Standards and Technology. To help achieve these control objectives, the County should develop, document, and implement control procedures in each IT control area described below:

Access

- Enhance authentication requirements for IT systems.

Configuration and change management

- Establish and follow documented change and patch-management processes.
- Review proposed changes for appropriateness, justification, and security impact.
- Document changes, testing procedures and results, change approvals, and post-change review.
- Develop and document a plan to roll back changes in the event of a negative impact to IT systems.
- Test changes prior to implementation.
- Separate responsibilities for the change management process or, if impractical, perform a post-implementation review to ensure the change was implemented as approved.
- Maintain configurations for all system services, assets, and infrastructure; manage configuration changes; and monitor the system for unauthorized or unintended configuration changes.

Security

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

The County's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year finding 2018-04.

Federal award findings and questioned costs

2019-101

CFDA number and name:	93.069 **Public Health Emergency Preparedness**
Award number and year:	ADHS17-133191, July 1, 2018 through June 30, 2019
Federal agency:	**U.S. Department of Health and Human Services**
Pass-through grantor:	Arizona Department of Health Services
Compliance requirements:	Cash management and reporting
Questioned costs:	None

Condition and context—The County did not review any of its 18 contractor expenditure reports for accuracy prior to submitting them to the pass-through grantor. However, we noted no unallowable costs or errors on these reports.

Criteria—The County must establish and maintain effective internal control over its federal award that provides reasonable assurance that it is managing them in compliance with all applicable laws, regulations, and award terms. (2 CFR §200.303)

Effect—There is an elevated risk that the County could submit erroneous contractor expenditure reports to the pass-through grantor and receive federal program monies that it is not entitled to if it does not review reports for accuracy to ensure that they do not include improper, duplicate, or unallowable costs or activities.

Cause—The County did not have adequate policies and procedures to require an independent review and approval of its contractor expenditure reports prior to submitting them to the pass-through grantor.

Recommendation—To help ensure that the County submits accurate reports to the pass-through grantor and receives federal program monies for only those costs and activities that are allowable, the County should develop and implement written policies and procedures requiring an independent review and approval of its contractor expenditure reports prior to submitting them to the pass-through grantor.

The County's responsible officials' views and planned corrective action are in its corrective action plan at the end of this report.

COUNTY SECTION

GRAHAM COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2018 - 6/30/2019

Federal Awarding Agency/Program Title	Federal CFDA Number	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*	*ADHS14-053054 ADHS19-207424*	*$165,747*	*$165,747*	*N/A*	*$0*
SCHOOLS AND ROADS - GRANTS TO STATES	10.665			$464,367	$464,367	FOREST SERVICE SCHOOLS AND ROADS CLUSTER	$464,367
LAW ENFORCEMENT AGREEMENTS	*10.704*	*FOREST SERVICE*	*18-LE-11030500-004*	*$4,513*	*$4,513*	*N/A*	*$0*
TOTAL DEPARTMENT OF AGRICULTURE				$634,627			
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*	*129-18*	*$158,239*	*$158,239*	*N/A*	*$0*
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				$158,239			
DEPARTMENT OF JUSTICE							
CRIME VICTIM ASSISTANCE	*16.575*	*ARIZONA DEPARTMENT OF PUBLIC SAFETY*	*2018-283*	*$48,219*	*$48,219*	*N/A*	*$0*
STATE CRIMINAL ALIEN ASSISTANCE PROGRAM	16.606			$613	$613	N/A	$0
BULLETPROOF VEST PARTNERSHIP PROGRAM	16.607			$2,740	$2,740	N/A	$0
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16.738			$10,896	$28,396	N/A	$0
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	*16.738*	*ARIZONA CRIMINAL JUSTICE COMMISSION*	*DC-19-024*	*$17,500*	*$28,396*	*N/A*	*$0*
TOTAL DEPARTMENT OF JUSTICE				$79,968			
DEPARTMENT OF TRANSPORTATION							
STATE AND COMMUNITY HIGHWAY SAFETY	*20.600*	*GOVERNOR'S OFFICE OF HIGHWAY SAFETY*	*2018-AL-015 2019-AL-041*	*$3,790*	*$3,790*	*HIGHWAY SAFETY CLUSTER*	*$10,578*
NATIONAL PRIORITY SAFETY PROGRAMS	*20.616*	*GOVERNOR'S OFFICE OF HIGHWAY SAFETY*	*2018-PTS-028 2019-PTS-074*	*$6,788*	*$6,788*	*HIGHWAY SAFETY CLUSTER*	*$10,578*
TOTAL DEPARTMENT OF TRANSPORTATION				$10,578			
DEPARTMENT OF EDUCATION							
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	*84.010*	*ARIZONA DEPARTMENT OF EDUCATION*	*19FT1TTI-913185-01A*	*$36,248*	*$36,248*	*N/A*	*$0*
SPECIAL EDUCATION_GRANTS TO STATES	*84.027*	*ARIZONA DEPARTMENT OF EDUCATION*	*18FESSCG-813189-55B*	*$2,396*	*$2,396*	*SPECIAL EDUCATION CLUSTER (IDEA)*	*$2,396*
RURAL EDUCATION	84.358			$2,715	$2,715	N/A	$0
STUDENT SUPPORT AND ACADEMIC ENRICHMENT PROGRAM	*84.424*	*ARIZONA DEPARTMENT OF EDUCATION*	*19FT4TIV-913185-01A*	*$2,653*	*$2,653*	*N/A*	*$0*
TOTAL DEPARTMENT OF EDUCATION				$44,012			
DEPARTMENT OF HEALTH AND HUMAN SERVICES							
PUBLIC HEALTH EMERGENCY PREPAREDNESS	*93.069*	*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*ADHS17-133191*	*$197,310*	*$197,310*	*N/A*	*$0*
EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASES (ELC)	*93.323*	*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*ADHS17-133191*	*$1,307*	*$1,307*	*N/A*	*$0*
PPHF CAPACITY BUILDING ASSISTANCE TO STRENGTHEN PUBLIC HEALTH IMMUNIZATION INFRASTRUCTURE AND PERFORMANCE FINANCED IN PART BY PREVENTION AND PUBLIC HEALTH FUNDS	*93.539*	*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*ADHS18-177679*	*$75,816*	*$75,816*	*N/A*	*$0*
PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT FUNDED SOLELY WITH PREVENTION AND PUBLIC HEALTH FUNDS (PPHF)	*93.758*	*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*ADHS15-078130 ADHS16-098358*	*$1,164*	*$1,164*	*N/A*	*$0*
HIV PREVENTION ACTIVITIES_HEALTH DEPARTMENT BASED	*93.940*	*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*ADHS18-188828*	*$11,338*	*$11,338*	*N/A*	*$0*
PREVENTIVE HEALTH SERVICES_SEXUALLY TRANSMITTED DISEASES CONTROL GRANTS	*93.977*	*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*ADHS14-068669 CTR040477*	*$17,432*	*$17,432*	*N/A*	*$0*
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	*93.994*	*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*ADHS16-098358*	*$59,585*	*$59,585*	*N/A*	*$0*
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES				$363,952			
DEPARTMENT OF HOMELAND SECURITY							
EMERGENCY MANAGEMENT PERFORMANCE GRANTS	*97.042*	*ARIZONA DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS*	*EMF-2018-EP-00012-S01*	*$21,335*	*$21,335*	*N/A*	*$0*
HOMELAND SECURITY GRANT PROGRAM	*97.067*	*ARIZONA DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS*	*170415-01 180304-01 180415-01*	*$68,341*	*$68,341*	*N/A*	*$0*
TOTAL DEPARTMENT OF HOMELAND SECURITY				$89,676			
TOTAL EXPENDITURE OF FEDERAL AWARDS				$1,381,052			

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 7/1/2018 - 6/30/2019

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

10% De Minimis Cost Rate
The auditee did not use the de minimis cost rate.

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, 2019. 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.

Catalog of Federal Domestic Assistance (CFDA) numbers
The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2019 Catalog of Federal Domestic Assistance.

COUNTY RESPONSE

Graham County Board of Supervisors

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

Paul R. David, Chairman
Danny Smith, Vice Chairman
James A. Palmer, Member

Dustin Welker, County Manager/Clerk

March 10, 2020

Lindsey Perry
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
Chief Financial Officer

Graham County
Corrective action plan
Year ended June 30, 2019

Financial statement findings

2019-01
The County's financial statement preparation process did not prevent or detect significant misstatements

Julie Rodriguez, Chief Financial Officer
Anticipated completion date: July 2022

Response: Concur
Corrective action:
- As CFO, I will continue working to develop and implement detailed written policies and procedures for compiling and presenting information within the annual financial report. These written procedures will include instructions for compiling and obtaining information both from within the County's accounting system as well as information not readily available.
- During the 2021 budget process, we again will work to budget for hiring additional finance personnel with a knowledge of GAAP and financial reporting to perform a detailed review of the annual financial report to ensure the report is accurate, complete and presented in accordance with GAAP. Realistically, this may not be possible until budget year 2022.

2019-02
Managing risk

McCoy Hawkins, IT Director
Anticipated completion date: June 2021

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

2019-03
Information technology (IT) controls—access, configuration and change management, and security.

McCoy Hawkins, IT Director
Anticipated completion date: June 2021

Response: Concur

Corrective action:
As of January 27, 2020, dual factor authentication is being used for remote users to gain access to County resources and is being developed for access to all County resources. We are currently drafting information management and related policies and procedures. These policies will include all aspects of information security and change management from justification review to configuring, testing, and post-implementation review based upon current IT standards and best practices. A comprehensive security incident response and contingency plan to ensure business operations can recover from a compromise or disaster is currently being developed.

Federal award findings and questioned costs

Finding number: 2019-101
Cash management and reporting
CFDA number and name: 93.069 Public Health Emergency Preparedness
Questioned Costs: None
Contact person: Brian Douglas, Health Director
Anticipated completion date: March 2020
Response: Concur
Corrective action plan: As of March 2020, one employee will prepare and initial monthly contractor expenditure reports. The reports will be reviewed for accuracy and signed by the Health Director prior to submission.

Graham County Board of Supervisors

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

Paul R. David, Chairman
Danny Smith, Vice Chairman
James A. Palmer, Member

Dustin Welker, County Manager/Clerk

March 10, 2020

Lindsey Perry
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
Chief Financial Officer

Graham County
Summary schedule of prior audit findings
Year ended June 30, 2019

Status of financial statement findings

Financial statement preparation
Finding number: 2018-01, 2017-01, & 2016-01
Status: partially corrected

- As CFO, I have continued to make significance progress in the development and implementation of detailed written policies and procedures for compiling and presenting information within the annual financial report. These written procedures include instructions for compiling and obtaining information both from within the County's accounting system as well as information not readily available.
- These procedures are currently being revised but a policy has not yet been drafted. The anticipated policy draft date is July 1, 2022.
- During the 2020 budget process, we were unable to hire additional finance personnel to perform a detailed review of the annual financial report. We will again try to secure this position during the 2021 budget process although, realistically, this may not be possible until budget year 2022.

Complying with guidelines and State law for diversion/deferred prosecution program fees
Finding number: 2018-02
Status: not corrected
The Graham County Board of Supervisors adopted the Graham County Attorney Diversion Fund Ordinance on October 21, 2019 during the 2019-2020 fiscal year.

Managing risk
Finding number: 2018-03, 2017-04, & 2016-05
Status: partially corrected

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

Information technology (IT) controls—access, configuration and change management, security, and contingency planning
Finding number: 2018-04, 2017-02, & 2016-03
Status: partially corrected

- Procedures were put in place to periodically review user access to ensure it remains necessary.

- Other policies and procedures for information access and management are being drafted. These policies include all aspects of information security and change management from justification review to configuring, testing, and post-implementation review based upon current IT standards and best practices.
- Mandatory Cybersecurity training for all County employees was held April 3-4, 2019, as well as June 18, 2019, and is required for all new employees.
- Comprehensive security incident response and contingency plans to ensure business operations can recover from a compromise or disaster are currently being developed.

Status of federal award findings and questioned costs

CFDA number and program name: 93.069 Public Health Emergency Preparedness
Finding number: 2018-101
Status: Fully corrected

CFDA number and program name: 93.069 Public Health Emergency Preparedness
Finding number: 2018-102
Status: Fully corrected

ARIZONA
Auditor General
Making a Positive Difference