

**SOUTHEASTERN ARIZONA
GOVERNMENTS ORGANIZATION**

Financial Statements
and
Independent Auditor's Reports

June 30, 2025



**South Eastern Arizona
Governments Organization**

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**South Eastern Arizona
Governments Organization**



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INDEPENDENT AUDITORS' REPORT

To the Executive Board
Southeastern Arizona Governments Organization
Bisbee, Arizona

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of SouthEastern Arizona Governments Organization (SEAGO), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise SEAGO's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of SEAGO, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Controller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are required to be independent of SEAGO, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 to the financial statements, for the year ended June 30, 2025, SEAGO adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 101. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SEAGO's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SEAGO's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedule of SEAGO's Proportionate Share of the Net Pension/OPEB Liability – Cost-Sharing Plans and the Schedule of SEAGO's Pension/OPEB Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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

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

The schedule of expenditures of federal awards is the responsibility of management and were derived from and relate 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 auditing standards generally accepted in the United States of America. 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2026, on our consideration of SEAGO'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 SEAGO'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 SEAGO's internal control over financial reporting and compliance.



January 12, 2026

SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION
Statement of Net Position
June 30, 2025

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 2,135,906
Due from other governments	857,234
Other receivables	4,249
Net other postemployment benefits asset	46,405
Capital assets, not being depreciated	25,825
Capital assets, being depreciated, net	<u>409,366</u>
Total assets	<u>3,478,985</u>
Deferred Outflows of Resources	
Deferred outflows related to pensions and other postemployment benefits	<u>238,170</u>
Liabilities	
Accounts payable	536,610
Accrued expenses	43,560
Noncurrent liabilities	
Due within one year	
Compensated absences	81,100
Due in more than one year	
Compensated absences	27,034
Net pension liability	<u>1,198,711</u>
Total liabilities	<u>1,887,015</u>
Deferred Inflows of Resources	
Deferred inflows related to pensions and other postemployment benefits	<u>104,345</u>
Net Position	
Net investment in capital assets	435,191
Restricted for:	
Net other postemployment benefit asset	46,405
Economic and Environmental Planning	36,551
Area Agency on Aging	174,625
CDBG	409,268
Housing	548,225
Unrestricted	<u>75,530</u>
Total net position	<u><u>\$ 1,725,795</u></u>

See accompanying notes to financial statements.

SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION
Statement of Activities
Year Ended June 30, 2025

Functions / Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Primary government:						
Governmental activities						
Aging programs	\$ 3,259,524	\$ 143,858	\$ 3,000	\$ 3,380,346	\$ 67,905	\$ 47,869
Economic and environmental planning	96,252	13,732	-	75,000	-	(34,984)
Transportation	541,076	58,655	8,953	592,517	-	1,739
Community development	634,322	20,458	219,702	361,736	-	(73,342)
Management and general	287,456	(236,703)	-	-	-	(50,753)
Total governmental activities	\$ 4,818,630	\$ -	\$ 231,655	\$ 4,409,599	\$ 67,905	(109,471)
General revenues:						
Assessment income						80,659
Other income						8,973
Interest income						72,984
Investment income						14,933
Total general revenues						177,549
Change in net position						68,078
Net position, beginning of year, as restated						1,657,717
Net position, end of year						\$ 1,725,795

See accompanying notes to financial statements.

SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION
Balance Sheet – Governmental Funds
June 30, 2025

	<u>General Fund</u>	<u>Area Agency on Aging</u>	<u>Housing</u>	<u>Transportation</u>	<u>Community Development</u>	<u>Economic and Environmental Planning</u>	<u>Total Governmental Funds</u>
Assets							
Cash and cash equivalents	\$ 1,060,473	\$ -	\$ 548,225	\$ -	\$ 507,866	19,342	\$ 2,135,906
Due from other governments	-	691,380	-	136,731	10,373	18,750	857,234
Due from other funds	220,697	-	-	-	-	-	220,697
Other receivables	4,079	-	-	170	-	-	4,249
TOTAL ASSETS	<u>\$ 1,285,249</u>	<u>\$ 691,380</u>	<u>\$ 548,225</u>	<u>\$ 136,901</u>	<u>\$ 518,239</u>	<u>\$ 38,092</u>	<u>\$ 3,218,086</u>
Liabilities							
Accounts payable	\$ 2,071	\$ 428,426	\$ -	\$ 2,483	\$ 103,487	\$ 143	\$ 536,610
Accrued expenses	16,489	14,772	-	5,417	5,484	1,398	43,560
Due to other funds	-	73,557	-	147,140	-	-	220,697
Total liabilities	<u>18,560</u>	<u>516,755</u>	<u>-</u>	<u>155,040</u>	<u>108,971</u>	<u>1,541</u>	<u>800,867</u>
Fund balances							
Nonspendable	220,697	-	-	-	-	-	220,697
Restricted	-	174,625	548,225	-	409,268	36,551	1,168,669
Unassigned	1,045,992	-	-	(18,139)	-	-	1,027,853
Total fund balances	<u>1,266,689</u>	<u>174,625</u>	<u>548,225</u>	<u>(18,139)</u>	<u>409,268</u>	<u>36,551</u>	<u>2,417,219</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,285,249</u>	<u>\$ 691,380</u>	<u>\$ 548,225</u>	<u>\$ 136,901</u>	<u>\$ 518,239</u>	<u>\$ 38,092</u>	<u>\$ 3,218,086</u>

See accompanying notes to financial statements.

SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2025

Fund balances-total governmental funds	\$ 2,417,219
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.	435,191
Net OPEB assets held in trust for future benefits are not available for operations and therefore, are not reported in the funds.	46,405
Long-term liabilities, such as net pension/OPEB liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported as a liability in the funds.	(1,306,845)
Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future reporting periods and, therefore, are not reported in the funds.	<u>133,825</u>
Net position of governmental activities	<u><u>\$ 1,725,795</u></u>

See accompanying notes to financial statements.

SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2025

	General Fund	Area Agency on Aging	Housing	Transportation	Community Development	Economic and Environmental Planning	Total Governmental Funds
Revenues							
Intergovernmental	\$ -	\$ 3,448,251	\$ -	\$ 592,517	\$ 361,736	\$ 75,000	\$ 4,477,504
Indirect charges	239,234	-	-	-	-	-	239,234
Fee for services	-	3,000	-	8,953	219,702	-	231,655
Local government assessments	80,659	-	-	-	-	-	80,659
Other	3,753	5,220	-	-	-	-	8,973
Interest	72,984	-	-	-	-	-	72,984
Investment income	14,933	-	-	-	-	-	14,933
Total revenues	<u>411,563</u>	<u>3,456,471</u>	<u>-</u>	<u>601,470</u>	<u>581,438</u>	<u>75,000</u>	<u>5,125,942</u>
Expenditures							
Current							
Aging programs	-	3,403,136	-	-	-	-	3,403,136
Economic and environmental planning	-	-	-	-	-	109,963	109,963
Housing	-	-	-	-	-	-	-
Management and general	289,633	-	-	-	-	-	289,633
Transportation	-	-	-	599,680	-	-	599,680
Community development	-	-	-	-	654,729	-	654,729
Capital outlay	-	67,905	-	-	-	-	67,905
Total expenditures	<u>289,633</u>	<u>3,471,041</u>	<u>-</u>	<u>599,680</u>	<u>654,729</u>	<u>109,963</u>	<u>5,125,046</u>
Excess (deficiency) of revenues over (under) expenditures	<u>121,930</u>	<u>(14,570)</u>	<u>-</u>	<u>1,790</u>	<u>(73,291)</u>	<u>(34,963)</u>	<u>896</u>
Other financing sources (uses)							
Transfer in	-	-	-	-	-	34,736	34,736
Transfer out	(20,401)	(10,906)	-	(1,800)	(1,629)	-	(34,736)
Total other financing sources (uses)	<u>(20,401)</u>	<u>(10,906)</u>	<u>-</u>	<u>(1,800)</u>	<u>(1,629)</u>	<u>34,736</u>	<u>-</u>
Net change in fund balances	101,529	(25,476)	-	(10)	(74,920)	(227)	896
Fund balances, Beginning	<u>1,165,160</u>	<u>200,101</u>	<u>548,225</u>	<u>(18,129)</u>	<u>484,188</u>	<u>36,778</u>	<u>2,416,323</u>
FUND BALANCES, ENDING	<u>\$ 1,266,689</u>	<u>\$ 174,625</u>	<u>\$ 548,225</u>	<u>\$ (18,139)</u>	<u>\$ 409,268</u>	<u>\$ 36,551</u>	<u>\$ 2,417,219</u>

See accompanying notes to financial statements.

SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
Governmental Funds
Year Ended June 30, 2025

Net change in fund balances-total governmental funds \$ 896

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.

Current year capital acquisitions	67,905	
Current year depreciation expense	<u>(18,695)</u>	
		49,210

Pension/OPEB 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/OPEB liability is measured a year before the
report date. Pension/OPEB expense, which is the change in
the net pension/OPEB liability adjusted for changes in deferred
outflows and inflows of resources related to pensions/
OPEB, is reported in the Statement of Activities.

SEAGO pension/OPEB contributions	127,014	
Pension expense	<u>(125,822)</u>	
		1,192

Some expenses reported in the Statement of Activities
do not require the use of current financial resources
and therefore, are not reported as expenditures in
governmental funds.

Decrease in compensated absences payable		<u>16,780</u>
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Change in net position of governmental activities		<u>\$ 68,078</u>
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See accompanying notes to financial statements.

SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION
Notes to Financial Statements
June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Southeastern Arizona Governments Organization (SEAGO) have been prepared in conformity with U.S. generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

For the year ended June 30, 2025, SEAGO implemented the provisions of GASB Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

A summary of SEAGO's more significant accounting policies follows.

A. Reporting Entity

SEAGO is a governmental entity which represents the local governmental units in Cochise, Graham, Greenlee and Santa Cruz Counties, Arizona. SEAGO aids local governments in planning and administering federal and state grants. In addition, the SEAGO assumes direct responsibility for the delivery of certain grant services.

B. Basis of Presentation

The basic financial statements include both government-wide and fund financial statements. The government-wide statements focus on SEAGO 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 usefulness of the information.

Government-wide statements provide information about the primary government. The statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government. Governmental activities generally are financed through intergovernmental revenue.

A statement of activities presents a comparison between direct expenses and program revenue. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenue include:

- ♦ Charges to customers or applicants for goods or services
- ♦ Operating grants and contributions
- ♦ Capital grants and contributions

Revenues that are not classified as program revenues, including internally dedicated resources, 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.

SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION
Notes to Financial Statements
June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fund financial statements provide information about SEAGO's funds. The emphases of fund financial statements are on major governmental funds and are displayed in a separate column.

SEAGO reports the following major governmental funds:

The General Fund is SEAGO'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 Area Agency on Aging Fund accounts for area agency on aging pass-through funding for senior related programs within the region.

The Housing Fund provides mortgage counseling to purchase or refinance homes for families within the region.

The Transportation Fund provides transportation planning, grant application assistance and other services for communities within the region.

The Community Development Fund provides technical assistance, planning, administration, and other services for communities within the region.

The Economic and Environmental Planning Fund provides economic and environmental planning and other services for communities within the region.

C. Basis of Accounting

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

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, revenue is recognized when measurable and available. SEAGO considers all revenue reported in the governmental funds to be available if the revenue is collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, 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.

SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION
Notes to Financial Statements
June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Cash and Cash equivalents

For the purpose of the government-wide and fund statements, “Cash and cash equivalents” includes all demand, savings accounts, and highly liquid investments with a maturity of three months or less.

E. Capital Assets

Capital assets are reported at actual cost. Donated assets are reported at acquisition value at the time received.

Capitalization thresholds (the dollar values 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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ 5,000	Not depreciated	N/A
Buildings	5,000	Straight-line	15-40 years
Furniture and equipment	5,000	Straight-line	3-10 years
Leasehold improvements	5,000	Straight-line	15-40 years

F. Compensated Absences

Compensated absences consist of vacation and sick leave.

Employees may earn vacation hours depending on years of service. Any vacation hours in excess of 240 hours unused at year-end are forfeited. Upon termination of employment, up to 160 hours of vacation benefits are paid to employees. Employees may accumulate an unlimited number of sick leave hours. Accordingly, vacation and sick leave benefits are accrued as a liability in the financial statements

G. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION
Notes to Financial Statements
June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

H. *Budgetary Comparison*

SEAGO is not legally required to adopt a budget for the general or major funds, and therefore budgetary comparison information is not included in this report.

I. *Indirect Expenses*

Expenses that cannot be specifically associated with a single program are allocated to the funds based upon an estimated percentage of use of the resource by each fund.

J. *Deferred Outflows and Inflows of Resources*

The statement of net position 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 that applies to future periods and will be recognized as a revenue in future periods.

K. *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's 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 benefits terms. Investments are reported at fair value.

L. *Fund Balance Reporting*

The Governmental Accounting Standards Board (GASB) Statement No. 54 requires fund balances to be properly reported within one of the fund balance categories listed below:

1. *Nonspendable* fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact such as fund balance associated with inventories, prepaids, long-term loans and notes receivable (unless the proceeds are restricted, committed, or assigned),
2. *Restricted* fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution provisions or enabling legislation, or external resource providers,
3. *Committed* fund balance includes amounts that can be used only for the specific purposes determined by a formal action of SEAGO's Executive Board,
4. *Assigned* fund balances are intended to be used by SEAGO for specific purposes but do not meet the criteria to be classified as restricted or committed, and

SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION
Notes to Financial Statements
June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

L. Fund Balance Reporting - Continued

5. *Unassigned* fund balance is the residual classification for SEAGO’s governmental funds and includes all spendable amounts not contained in other classifications.

SEAGO’s policy for committed fund balances is through formal organizational resolutions passed through the executive board. The process of rescinding a committed fund balance requires the same process.

SEAGO’s policy for assigned fund balances is through motions passed by the executive board. Assigned fund balances do not require a formal resolution.

When expenditures incur for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, SEAGO’s policy is to apply the expenditure first to restricted, and then to unrestricted in the following order of committed, assigned, and then unassigned.

NOTE 2 – DEPOSITS AND INVESTMENTS

Arizona Revised Statutes (A.R.S.) authorize SEAGO 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; 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, SEAGO 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 two ratings by a nationally recognized rating agency.
2. 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 two nationally recognized rating agencies.
3. Fixed income securities must carry one of the two highest ratings by Moody’s investor’s service and Standard and Poor’s rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION
Notes to Financial Statements
June 30, 2025

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

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.

SEAGO has not formally adopted deposit and investment policies that limit the Organization’s allowable deposits or investments and address the specific types of risk to which SEAGO is exposed.

Deposits – At June 30, 2025, the carrying amount of SEAGO’s total cash in bank was \$429,031 and the bank balance was \$579,822. Of the bank balance all was covered by federal depository insurance.

Investments – At June 30, 2025, the investments consisted of the following.

Investment	Credit Rating	Reported Amount	Fair Value
Arizona LGIP Pool 700	Unrated	\$ 1,706,875	\$ 1,706,875

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments consist of reimbursable grants and contracts entered into with federal, state and local governments. Following is a list due from each type of government at June 30, 2025:

Federal	\$ 37,500
State	781,616
Local	27,000
Total	\$ 846,116

SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION
Notes to Financial Statements
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NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025, was as follows:

	<u>Balance</u> <u>July 1, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2025</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 25,825	\$ -	\$ -	\$ 25,825
Capital assets being depreciated:				
Furniture and equipment	164,876	67,905	-	232,781
Building	498,822	-	-	498,822
Total	<u>663,698</u>	<u>67,905</u>	<u>-</u>	<u>731,603</u>
Less accumulated depreciation for:				
Furniture and equipment	(156,095)	(1,456)	-	(157,551)
Building	(147,447)	(17,239)	-	(164,686)
Total	<u>(303,542)</u>	<u>(18,695)</u>	<u>-</u>	<u>(322,237)</u>
Total capital assets being depreciated, net	<u>360,156</u>	<u>49,210</u>	<u>-</u>	<u>409,366</u>
Governmental activities capital assets, net	<u>\$ 385,981</u>	<u>\$ 49,210</u>	<u>\$ -</u>	<u>\$ 435,191</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
Aging programs	\$ 6,356
Economic and environmental planning	560
Transportation	1,309
Community Developmental Block Grant	1,309
Management and general	<u>9,161</u>
 Total governmental activities depreciation expense	 <u>\$ 18,695</u>

SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION
Notes to Financial Statements
June 30, 2025

NOTE 5 – LONG-TERM LIABILITES

The following schedule details SEAGO’s long-term and obligation activity for the year ended June 30, 2025.

	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025	Due within 1 year
Compensated absences payable	\$ 124,914	\$ -	\$ 16,780	\$ 108,134	\$ 81,100
Net pension liability	1,148,202	50,509	-	1,198,711	-
Total long-term liabilities	<u>\$ 1,273,116</u>	<u>\$ 50,509</u>	<u>\$ 16,780</u>	<u>\$ 1,306,845</u>	<u>\$ 81,100</u>

NOTE 6 – INTERFUND TRANSACTIONS

Interfund receivable and payable balances at June 30, 2025, were as follows:

Payable from	Payable to General Fund
Transportation	\$ 147,140
Area Agency on Aging	73,557
	<u>\$ 220,697</u>

Interfund receivables and payable above were necessary in order to fund the ongoing activities of the grant programs in current and prior periods.

Interfund transfers for the year ended June 30, 2025 consisted of the following:

Transfer from	Transfer to Economic and Enviornmental Planning
General Fund	\$ 20,401
Area Agency on Aging	10,906
Transportation	1,800
Community Development	1,629
	<u>\$ 34,736</u>

SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION

Notes to Financial Statements

June 30, 2025

NOTE 7 – CONTINGENT LIABILITY

SEAGO participates, as both a pass-through and a sub grantee, in several programs administered by federal and state agencies. Programs included in these financial statements may be subject to program compliance and/or financial monitoring by the granting agencies or representatives. Accordingly, the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time.

NOTE 8 – RISK MANAGEMENT

SEAGO is exposed to various risks of loss related to torts, theft, destruction of assets, errors and omissions, injuries to employees, civil rights violations, and other natural disasters. SEAGO carries commercial insurance for all risks of loss, including workers' compensation and employees' health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 – CONCENTRATIONS

Although SEAGO administers multiple government grant programs, SEAGO depends on two grants for approximately 83% of its grant revenue and 74% of total revenue included in these financial statements. These revenue sources are from the Aging and Adult Administration grant with the Arizona Department of Economic Security and Transportation grant with the Arizona Department of Transportation. Decreases in funding or discontinuance of these programs in future years may have a significant effect upon the operations of SEAGO.

NOTE 10 – ACCOUNTING CHANGES AND ERROR CORRECTIONS

During fiscal year 2025, accounting changes for the implementation of GASB Statement No. 101, Compensated Absences resulted in adjustments to and restatements of beginning net position and/or fund balance, as follows:

	Not position/fund balance at June 30, 2024 as previously reported	Change in accounting principle GASB 101	Net position/fund balance July 1, 2024 as restated
Government -wide			
Governmental activities	\$ 1,738,433	\$ (80,716)	\$ 1,657,717

SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION
Notes to Financial Statements
June 30, 2025

NOTE 11 – PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS

SEAGO contributes to the pension plan described below. The plan is a component unit of the State of Arizona.

At June 30, 2025, SEAGO reported the following aggregate amounts related to pensions for the plan to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities
Net OPEB assets	\$ 46,405
Net pension and OPEB liabilities	1,198,711
Deferred outflows of resources related to pension and OPEB	238,170
Deferred inflows of resources related to pension and OPEB	104,345
Pension and OPEB expense	125,822

SEAGO reported \$127,014 of pension and OPEB contributions as expenditures in the governmental funds related to the pension plan to which it contributes.

A. Arizona State Retirement System

Plan Description – All eligible SEAGO employees participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. 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.

SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION
Notes to Financial Statements
June 30, 2025

NOTE 11 – PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS - Continued

Benefits Provided – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefits terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	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 months of last 120 months	Highest 60 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.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION
Notes to Financial Statements
June 30, 2025

NOTE 11 – PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS - Continued

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, 2025, statute required active ASRS members to contribute at the actuarially determined rate of 12.27 percent (12.12 percent for retirement and 0.15 percent for long-term disability) of the members’ annual covered payroll, and statute required SEAGO to contribute at the actuarially determined rate of 12.27 percent (12.05 percent for retirement, 0.07 percent for health insurance premium benefit, and 0.15 percent for long-term disability) of the active members’ annual covered payroll.

In addition, SEAGO was required by statute to contribute at the actuarially determined rate of 10.19 percent (10.14 percent for retirement, and 0.05 percent for long-term disability) of annual covered payroll of retired members who worked for SEAGO in positions that an employee who contributes to the ASRS would typically fill. SEAGO’s contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2025, were \$123,196, \$716 and \$1,534, respectively.

During fiscal year 2025, SEAGO paid for ASRS pension and OPEB contributions as follows: 9.68 percent from the General Fund, 38.34 percent from the Area Agency on Aging Fund, 30.30 percent from the Transportation Fund, 10.72 percent from the Community Development Fund, and 8.46 percent from the Economic Environmental Planning Fund.

Liability - At June 30, 2025, SEAGO reported the following asset and liabilities for its proportionate share of the ASRS’ net pension/OPEB asset or liability.

	Net Pension/OPEB
	(Asset) Liability
Pension	\$ 1,198,513
Health insurance premium benefit	(46,405)
Long-term disability	198

The net asset and net liabilities were measured as of June 30, 2024. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2023, to the measurement date of June 30, 2024.

SEAGO’s proportion of the net assets or net liability was based on SEAGO’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2024.

SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION
Notes to Financial Statements
June 30, 2025

NOTE 11 – PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS - Continued

SEAGO’s proportion measured as of June 30, 2024, and the change from its proportions measured as of June 30, 2023 were:

	<u>Proportion</u> <u>June 30, 2024</u>	<u>Increase (decrease)</u> <u>from June 30, 2023</u>
Pension	0.00749%	0.00040%
Health insurance premium benefit	0.00768%	0.00042%
Long-term disability	0.00759%	0.00043%

Expense – For the year ended June 30, 2025, SEAGO recognized the following pension and OPEB expense.

	<u>Pension/OPEB</u> <u>Expense</u>
Pension	\$ 131,744
Health insurance premium benefit	(6,925)
Long-term disability	1,003

SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION
Notes to Financial Statements
June 30, 2025

NOTE 11 – PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS - Continued

Deferred Outflows/Inflows of Resources—At June 30, 2025, SEAGO reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 66,900	\$ -	\$ 1,343	\$ 11,205
Changes of assumptions or other inputs	-	-	-	481
Net difference between projected and actual earnings on plan investments	-	76,538	-	3,190
Changes in proportion and differences between SEAGO contributions and proportionate share of contributions	42,776	9,503	338	1,420
SEAGO contributions subsequent to the measurement date	123,196	-	716	-
Total	\$ 232,872	\$ 86,041	\$ 2,397	\$ 16,296

	Long-Term Disability	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 728	\$ 527
Changes of assumptions or other inputs	143	1,184
Net difference between projected and actual earnings on plan investments	-	216
Changes in proportion and differences between SEAGO contributions and proportionate share of contributions	496	81
SEAGO contributions subsequent to the measurement date	1,534	-
Total	\$ 2,901	\$ 2,008

SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION
Notes to Financial Statements
June 30, 2025

NOTE 11 – PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS - Continued

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting SEAGO contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ended June 30,	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>	<u>Long-Term Disability</u>
2026	\$ (21,835)	\$ (8,915)	\$ (237)
2027	78,890	(2,225)	53
2028	(19,374)	(2,123)	(247)
2029	(14,046)	(1,092)	(223)
2030	-	(260)	(77)
Thereafter	-	-	90

Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension/OPEB liability are as follows:

ASRS

Actuarial valuation date	June 30, 2023
Actuarial roll forward date	June 30, 2024
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9 - 8.4% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2020.

SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION
Notes to Financial Statements
June 30, 2025

NOTE 11 – PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS - Continued

The long-term expected rate of return on ASRS plan investments was determined to be 7.0 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Geometric Real</u>
Public equity	44%	4.48%
Credit	23%	4.40%
Real estate	17%	6.05%
Private equity	10%	6.11%
Interest reate sensitive	6%	-0.45%
Total	<u>100%</u>	

Discount Rate – At June 30, 2024, the discount rate used to measure the ASRS total pension/OPEB liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the 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/OPEB liability.

SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION
Notes to Financial Statements
June 30, 2025

NOTE 11 – PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS - Continued

Sensitivity of SEAGO’s Proportionate Share of the ASRS Net Pension/OPEB (Asset) Liability to Changes in the Discount Rate – The following table presents SEAGO’s proportionate share of the net pension/OPEB liability calculated using the discount rate of 7.0 percent, as well as what SEAGO’s proportionate share of the net pension/OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
SEAGO's Proportionate share of the			
Net pension liability	\$ 1,835,168	\$ 1,198,513	\$ 667,916
Net insurance premium benefit liability (asset)	(33,736)	(46,405)	(57,176)
Net long-term disability liability	681	198	(277)

Plan Fiduciary Net Position – Detailed information about the plans’ fiduciary net position is available in the separately issued ASRS financial report.

SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION
Required Supplementary Information
Schedule of SEAGO's Proportionate
Share of the Net Pension/OPEB Liability
Cost-Sharing Plans
June 30, 2025

ASRS-Pension

	Reporting Fiscal Year (Measurement Date)									
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
SEAGO's proportion of the net pension liability	0.007490%	0.007090%	0.007300%	0.007000%	0.006020%	0.006170%	0.006060%	0.005800%	0.005970%	0.005760%
SEAGO's proportionate share of the net pension liability	\$ 1,198,513	\$ 1,147,264	\$ 1,191,522	\$ 919,769	\$ 1,043,057	\$ 897,807	\$ 845,157	\$ 903,527	\$ 963,618	\$ 896,852
SEAGO's covered payroll	\$ 1,043,969	\$ 931,297	\$ 868,896	\$ 786,908	\$ 657,511	\$ 650,295	\$ 602,514	\$ 566,197	\$ 558,959	\$ 530,321
SEAGO's proportionate share of the net pension liability as a percentage of its covered payroll	114.80%	123.19%	137.13%	116.88%	158.64%	138.06%	140.27%	159.58%	172.40%	169.11%
Plan fiduciary net position as a percentage of the total pension liability	76.93%	75.47%	74.26%	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%

ASRS-Health Insurance Premium Benefit

	Reporting Fiscal Year (Measurement Date)								
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2016
SEAGO's proportion of the net OPEB (asset)	0.007680%	0.007260%	0.007480%	0.007180%	0.006160%	0.006320%	0.006180%	0.005890%	Information not available
SEAGO's proportionate share of the net OPEB (asset)	\$ (46,405)	\$ (39,199)	\$ (41,746)	\$ (34,982)	\$ (4,361)	\$ (1,747)	\$ (2,225)	\$ (3,207)	
SEAGO's covered payroll	\$ 1,043,969	\$ 931,297	\$ 868,896	\$ 786,908	\$ 657,511	\$ 650,295	\$ 602,514	\$ 566,197	
SEAGO's proportionate share of the net OPEB (asset) as a percentage of its covered payroll	-4.45%	-4.21%	-4.80%	-4.45%	-0.66%	-0.27%	-0.37%	-0.57%	
Plan fiduciary net position as a percentage of the total OPEB asset	137.51%	134.37%	137.79%	130.24%	104.33%	101.62%	102.20%	103.57%	

SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION
Required Supplementary Information
Schedule of SEAGO's Proportionate
Share of the Net Pension/OPEB Liability
Cost-Sharing Plans
June 30, 2025

ASRS-Long-Term Disability

	Reporting Fiscal Year (Measurement Date)								
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	
SEAGO's proportion of the net OPEB liability	0.007590%	0.007160%	0.007370%	0.007090%	0.006100%	0.006260%	0.006080%	0.005830%	Information not available
SEAGO's proportionate share of the net OPEB liability	\$ 198	\$ 938	\$ 681	\$ 1,464	\$ 4,628	\$ 4,078	\$ 3,177	\$ 2,113	
SEAGO's covered payroll	\$ 1,043,969	\$ 931,297	\$ 868,896	\$ 786,908	\$ 657,511	\$ 650,295	\$ 602,514	\$ 566,197	
SEAGO's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.02%	0.10%	0.08%	0.19%	0.70%	0.63%	0.53%	0.37%	
Plan fiduciary net position as a percentage of the total OPEB liability	98.77%	93.70%	95.40%	90.38%	68.01%	72.85%	77.83%	84.44%	

SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION
Required Supplementary Information
Schedule of SEAGO Pension/OPEB Contributions
June 30, 2025

ASRS-Pension

	Reporting Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 123,196	\$ 124,441	\$ 110,298	\$ 104,354	\$ 91,675	\$ 75,285	\$ 72,703	\$ 65,674	\$ 61,036	\$ 60,647
SEAGO's contributions in relation to the statutorily required contribution	<u>(123,196)</u>	<u>(124,441)</u>	<u>(110,298)</u>	<u>(104,354)</u>	<u>(91,675)</u>	<u>(75,285)</u>	<u>(72,703)</u>	<u>(65,674)</u>	<u>(61,036)</u>	<u>(60,647)</u>
SEAGO's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
SEAGO's covered payroll	<u>\$ 1,022,376</u>	<u>\$ 1,043,969</u>	<u>\$ 931,297</u>	<u>\$ 868,896</u>	<u>\$ 786,908</u>	<u>\$ 657,511</u>	<u>\$ 650,295</u>	<u>\$ 602,514</u>	<u>\$ 566,197</u>	<u>\$ 558,959</u>
SEAGO's contributions as a percentage of covered payroll	12.05%	11.92%	11.84%	12.01%	11.65%	11.45%	11.18%	10.90%	10.78%	10.85%

ASRS-Health Insurance Premium Benefit

	Reporting Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 716	\$ 1,148	\$ 1,018	\$ 1,825	\$ 3,069	\$ 3,222	\$ 2,991	\$ 2,651	\$ 3,171	Information not available
SEAGO's contributions in relation to the statutorily required contribution	<u>(716)</u>	<u>(1,148)</u>	<u>(1,018)</u>	<u>(1,825)</u>	<u>(3,069)</u>	<u>(3,222)</u>	<u>(2,991)</u>	<u>(2,651)</u>	<u>(3,171)</u>	Information not available
SEAGO's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	Information not available
SEAGO's covered payroll	<u>\$ 1,022,376</u>	<u>\$ 1,043,969</u>	<u>\$ 931,297</u>	<u>\$ 868,896</u>	<u>\$ 786,908</u>	<u>\$ 657,511</u>	<u>\$ 650,295</u>	<u>\$ 602,514</u>	<u>\$ 566,197</u>	Information not available
SEAGO's contributions as a percentage of covered payroll	0.07%	0.11%	0.11%	0.21%	0.39%	0.49%	0.46%	0.44%	0.56%	Information not available

SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION
Required Supplementary Information
Schedule of SEAGO Pension/OPEB Contributions
June 30, 2025

ASRS-Long-Term Disability

	Reporting Fiscal Year								
	2025	2024	2023	2022	2021	2020	2019	2018	2017
Statutorily required contribution	\$ 1,534	\$ 1,462	\$ 1,296	\$ 1,651	\$ 1,416	\$ 1,118	\$ 1,041	\$ 964	\$ 793
SEAGO's contributions in relation to the statutorily required contribution	(1,534)	(1,462)	(1,296)	(1,651)	(1,416)	(1,118)	(1,041)	(964)	(793)
SEAGO's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
SEAGO's covered payroll	<u>\$ 1,022,376</u>	<u>\$ 1,043,969</u>	<u>\$ 931,297</u>	<u>\$ 868,896</u>	<u>\$ 786,908</u>	<u>\$ 657,511</u>	<u>\$ 650,295</u>	<u>\$ 602,514</u>	<u>\$ 566,197</u>
SEAGO's contributions as a percentage of covered payroll	0.15%	0.14%	0.14%	0.19%	0.18%	0.17%	0.16%	0.16%	0.14%



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Executive Board
SouthEastern Arizona Governments Organization

We have audited, in accordance with the auditing standards generally accepted in the United States of America 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 and each major fund of SouthEastern Arizona Governments Organization (SEAGO), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise SEAGO's basic financial statements, and have issued our report thereon dated January 12, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SEAGO's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SEAGO's internal control. Accordingly, we do not express an opinion on the effectiveness of SEAGO'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 entity's 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the SEAGO's financial statements are free of 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 statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Colby + Powell

January 12, 2026



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

To the Executive Board
SouthEastern Arizona Governments Organization
Bisbee, Arizona

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the South Eastern Arizona Governments Organization (SEAGO) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the SEAGO's major federal programs for the year ended June 30, 2025. SEAGO's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the SEAGO 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, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding SEAGO's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of SEAGO's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of SEAGO's internal control over compliance. Accordingly, no such opinion is expressed.

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

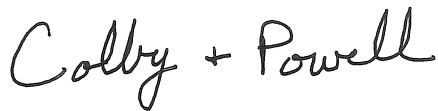
Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



January 12, 2026

SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures
<u>U.S. Department of Health and Human Services</u>				
Passed through the Arizona Department of Economic Security				
Aging Cluster				
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	CTR048043	\$ 265,289	\$ 438,125
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	CTR048043	691,042	1,043,521
Nutrition Services Incentive Program	93.053	CTR048043	<u>53,877</u>	<u>53,877</u>
Total Aging Cluster			1,010,208	1,535,523
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	CTR048043	-	2,483
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services For Older Individuals	93.042	CTR048043	-	12,521
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	CTR048043	-	17,617
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048	CTR048043	-	15,130
National Family Caregiver Support, Title III, Part E	93.052	CTR048043	78,231	177,262
Social Services Block Grant	93.667	CTR048043	652,192	867,907
Medicare Entollment Assistance Program	93.071	CTR048043	-	11,927
State Health Insurance Assistance Program	93.324	CTR048043	-	<u>30,922</u>
Total U.S. Department of Health and Human Services			<u>1,740,631</u>	<u>2,671,292</u>
<u>U.S. Department of Transportation</u>				
Public Transportation Research, Technical Assistance and Training	20.514		-	-
Passed through the Arizona Department of Transportation				
Formula Grants for Rural Areas and Tribal Transit Program	20.509	GRT-19-0007312-T	-	20,000
Formula Grants for Rural Areas and Tribal Transit Program	20.509	GRT-20-0007798-T	-	8,953
Formula Grants for Rural Areas and Tribal Transit Program	20.509	GRT-23-0009154-T	-	186,987
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	GRT-19-0007312-T	-	131,790
Highway Planning and Construction	20.205	GRT-23-0009154-T	-	36,666
Transit Services Programs Cluster				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	GRT-20-0006624-T	-	141,670
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	GRT-20-0007798-T	-	<u>75,404</u>
Total Department of Transportation			<u>-</u>	<u>601,470</u>

The accompanying notes are an integral part of this schedule.

SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION
Schedule of Expenditures of Federal Awards-continued
Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures
<u>U.S. Department of Treasury</u>				
Passed through the Arizona Department of Economic Security				
Coronavirus State and Local Fiscal Recovery Funds	21.027		61,854	119,806
Total U.S. Department of Treasury			<u>61,854</u>	<u>119,806</u>
<u>U.S. Department of Commerce</u>				
Economic Development Support for Planning Organizations	11.302	-	-	75,000
Total U.S. Department of Commerce			<u>-</u>	<u>75,000</u>
<u>U.S. Department of Housing and Urban Development</u>				
Passed through the Arizona Department of Housing				
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	138-23	-	40,304
Total U.S. Department of Housing and Urgan Development			<u>-</u>	<u>40,304</u>
<u>U.S. Department of Agriculture</u>				
Rural Energy for America Program	10.868	-	-	105,494
Total U.S. Department of Agriculture			<u>-</u>	<u>105,494</u>
<u>U.S. Department of Environmental Protection Agency</u>				
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements	66.818	-	-	241,398
Total U.S. Department of Agriculture			<u>-</u>	<u>241,398</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,802,485</u>	<u>\$ 3,854,764</u>

The accompanying notes are an integral part of this schedule.

SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION
Notes to Schedule of Expenditures of Federal Awards
June 30, 2025

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of SEAGO under programs of the federal government for the year ended June 30, 2025. The information in this schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of SEAGO, it is not intended to and does not present the financial position, or changes in net position of SEAGO.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual/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. SEAGO has not elected to use the 10% *de minimis* indirect cost rate allowed under the Uniform Guidance.

SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION
Schedule of Findings and Questioned Costs
June 30, 2025

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No	
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	_____ <u>X</u> No	
Noncompliance material to financial statements noted?	_____ Yes	_____ <u>X</u> No	

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No	
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	_____ <u>X</u> No	

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with CFR 200.516(a)? _____ Yes X No

Identification of major federal programs:

Federal Assistance Listing		
Number	Name of Federal Program	
93.667	Social Services Block Grant	
66.818	Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements	

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ X Yes _____ No

Financial Statement Findings

None noted.

Federal Award Findings and Questioned Costs

None noted.

SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION
Summary Schedule of Prior Audit Findings
June 30, 2025

The status of audit findings from the prior year is as follows:

SEAGO had no Single Audit findings for the year ended June 30, 2024.