

Gila County
Annual Financial Report
Year Ended June 30, 2012

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Annual Financial Report
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Independent Auditors' Report

The Auditor General of the State of Arizona

The Board of Supervisors of
Gila County, Arizona

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Gila County (the County), as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Gila County, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2013, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Auditor General of the State of Arizona
The Board of Supervisors of
Gila County, Arizona

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11, the Schedule of Agent Retirement Plans' Funding Progress on pages 52 and 53, and budgetary comparison information on pages 54 through 57 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 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.



CliftonLarsonAllen LLP

Phoenix, Arizona
May 13, 2013

Gila County
Management's Discussion and Analysis
June 30, 2012

As management of Gila County, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the financial statements.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the current fiscal year by \$70,267,348 (net assets). Of this amount, \$24,182,980 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$41,699,867, an increase of \$1,412,877 in comparison with the prior year's balance of \$40,286,990.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$23,740,431 or 57% of total general fund expenditures.
- The County's total long-term liabilities decreased by a net of \$235,082 during the current fiscal year in comparison with the prior year's balance of \$11,792,410. The decrease was a result of regular scheduled principal and interest payments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Required supplementary information is included in addition to the basic financial statements.

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

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

The *statement of activities* presents information showing how net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows (full accrual accounting). Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The statement of activities distinguishes functions of the County that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or part of their costs through user fees and charges.

The governmental activities of the County include general government; public safety; highways and streets; health; welfare; sanitation; culture and recreation; and education.

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The government-wide financial statements not only include the County itself (known as the primary government), but also the legally separate Gila County Library District and Street Lighting Districts which function for all practical purposes as departments of the County, and therefore have been included as an integral part of the County. The business-type activities account for landfill operations.

The government-wide financial statements can be found on pages 13 through 14 of this report.

Fund financial statements are groupings of related accounts that are 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 finance-related legal compliance. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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 funds statements focus on near-term inflows and outflows of spendable resources as well as the 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 position.

Because the focus of governmental fund statements is narrower than the government-wide 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 include 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 two funds that are considered to be major funds, General and Public Works. Data from the other governmental funds is combined into a single, aggregated presentation.

The basic governmental fund financial statements can be found on pages 15 through 18 of this report.

Proprietary Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for landfill operations. The proprietary fund financial statements can be found on pages 19 through 21 of this report.

Fiduciary Funds are used to account for resources held by the County 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 the County's own operations. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements can be found on pages 22 and 23 of this report.

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Notes to the financial statements provide additional information that is essential to a 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 24 through 50 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 the County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 52 through 57 of this report.

Government-wide Financial Analysis

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the fiscal year, the County's assets exceeded liabilities by \$70,267,348.

Condensed Statement of Net Assets
(in thousands)
June 30, 2012 and 2011

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$ 47,280	\$ 45,622	\$ 6,419	\$ 5,886	\$ 53,699	\$ 51,508
Capital Assets	28,602	31,166	3,784	3,975	32,386	35,141
Total Assets	<u>75,882</u>	<u>76,788</u>	<u>10,203</u>	<u>9,861</u>	<u>86,085</u>	<u>86,649</u>
Current Liabilities	4,214	3,954	46	63	4,260	4,017
Long-term Liabilities	8,855	9,003	2,702	2,789	11,557	11,792
Total Liabilities	<u>13,069</u>	<u>12,957</u>	<u>2,748</u>	<u>2,852</u>	<u>15,817</u>	<u>15,809</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	22,004	24,776	3,752	3,918	25,756	28,694
Restricted	18,232	18,155	2,096	1,766	20,328	19,921
Unrestricted	22,577	20,900	1,607	1,325	24,184	22,225
Total Net Assets	<u>\$ 62,813</u>	<u>\$ 63,831</u>	<u>\$ 7,455</u>	<u>\$ 7,009</u>	<u>\$ 70,268</u>	<u>\$ 70,840</u>

The second largest portion of Gila County's net assets is unrestricted. Unrestricted net assets of \$24,182,980 or 34% may be used to meet Gila County's ongoing obligations to citizens and creditors. The largest portion is \$25,755,691 or 37% of the total net assets that reflects its investment in capital assets (e.g. land, buildings, equipment, vehicles and infrastructure); less accumulated depreciation and any related debt used to acquire those assets that is still outstanding.

The County uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the 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, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net assets for the government as a whole.

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Assets of the County decreased by \$0.6 million. The most significant decrease was a decrease of \$2.8 million in capital assets. The decrease was largely due to depreciation expense in the governmental activities exceeding current year additions by \$0.5 million, \$1.9 million in construction in progress that was written off during the current fiscal year (see page 10 for further explanation), \$0.2 million in the loss on disposal of other governmental capital assets, and \$0.2 million in depreciation expense on business-type activities capital assets. The decrease in capital assets was offset by a \$3.2 million increase in cash and investments (including cash and investments with the trustee and restricted cash). Approximately \$1.2 million of the increase in cash and investments was due to the collection of prior year receivables and \$2.0 million was due to a reduction in the acquisition of current year capital. Liabilities remained relatively unchanged over the prior year.

The County had a net decrease in net assets of \$1.0 million in the governmental activities and a net increase in the business-type activities of \$0.4 million. The net decrease in the governmental activities included a decrease of \$2.3 million in net assets restricted for capital assets, net of related debt, previously discussed; an increase of \$0.2 million in restricted net assets; and an increase of \$1.6 million in unrestricted net assets. Unrestricted net assets may be used for continuing operations of the County. The change is largely due to the net effect of current year operations discussed on the following pages. The business-type activities net assets invested in capital assets decreased due to current year depreciation expense, restricted net assets increased due to additional funds set-aside for payment of the future closure and postclosure care costs and unrestricted net assets increased due to current year operations.

Statement of Activities

Already noted was the statement of activities purpose in presenting how the government's net assets changed during the current fiscal year. For the fiscal year, net assets decreased by \$572,623. The following table presents the changes in net assets.

Changes in Net Assets						
(in thousands)						
Years Ended June 30, 2012 and 2011						
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues						
Charges for Services	\$ 3,640	\$ 4,800	\$ 1,516	\$ 1,572	\$ 5,156	\$ 6,372
Grants and Contributions	20,105	22,535	-	-	20,105	22,535
General Revenues:						
Property Taxes	23,166	25,343	-	-	23,166	25,343
County Sales Tax	5,659	5,457	-	-	5,659	5,457
Share of State Sales Tax	4,689	4,378	-	-	4,689	4,378
Vehicle License Tax	1,622	1,559	-	-	1,622	1,559
Payments in Lieu of Taxes	3,459	3,226	-	-	3,459	3,226
Miscellaneous	853	1,708	20	71	873	1,779
Total Revenues	<u>63,193</u>	<u>69,006</u>	<u>1,536</u>	<u>1,643</u>	<u>64,729</u>	<u>70,649</u>
Expenses						
General Government	19,741	20,331	-	-	19,741	20,331
Public Safety	16,528	16,902	-	-	16,528	16,902
Highways and Streets	10,014	8,059	-	-	10,014	8,059
Health	1,136	2,556	-	-	1,136	2,556
Welfare	10,742	9,718	-	-	10,742	9,718
Sanitation	98	98	976	1,184	1,074	1,282
Culture and Recreation	1,491	1,443	-	-	1,491	1,443
Education	4,249	4,689	-	-	4,249	4,689
Interest on Long-term Debt	326	342	-	-	326	342
Total Expenses	<u>64,325</u>	<u>64,138</u>	<u>976</u>	<u>1,184</u>	<u>65,301</u>	<u>65,322</u>
Change in Net Assets Before Transfers	(1,132)	4,868	560	459	(572)	5,327
Transfers	114	97	(114)	(97)	-	-
Change in Net Assets	<u>(1,018)</u>	<u>4,965</u>	<u>446</u>	<u>362</u>	<u>(572)</u>	<u>5,327</u>
Net Assets, Beginning of the Year	63,831	58,866	7,009	6,647	70,840	65,513
Net assets, End of the Year	<u>\$ 62,813</u>	<u>\$ 63,831</u>	<u>\$ 7,455</u>	<u>\$ 7,009</u>	<u>\$ 70,268</u>	<u>\$ 70,840</u>

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Revenues

Governmental activities revenues totaled \$63.2 million for fiscal year 2012 which was a decrease of over 8% from the prior year. Grants and contributions and property taxes accounted for the most significant decreases in revenue. The decrease in grants and contributions was largely due to a reduction in grant awards. The County realized a reduction from the U.S. Department of Justice in the amount of \$300 thousand, a reduction from the U.S. Department of Agriculture in the amount of \$1.0 million, and a reduction from the U.S. Department of Education in the amount of \$400 thousand from previous year. The reductions were due to the close-out of ARRA funded programs, as well as the completion of other federally funded programs early in the current fiscal year. The decrease in property taxes was due to decreased property tax assessed valuations and a decrease in the current year levy.

Charges for services decreased approximately \$1.2 million over the prior year due to economic factors creating less stability for consumers and vendors, evidenced, in part, by the reduction in the number of building permits issued in the current year versus the prior year.

County sales tax, state sales tax, state vehicle license tax, and payments in lieu of taxes remained relatively stable as compared to the prior year, with small increases in each line item. The increase was largely due to the results of a recovering economy.

Miscellaneous revenues decreased \$0.9 million during the current fiscal year, as compared to fiscal year 2011. The decrease was largely due to an insurance rebate and refund received in the prior fiscal year in the amount of \$0.5 million, a reimbursement received in the prior year in the amount of \$0.1 million for prosecution services, and \$0.2 million received from the Helios Foundation in the prior fiscal year for administering a program through Globe Unified School District. Similar rebates, reimbursements and payments were not received in the current fiscal year.

Business-type activities' revenues did not change significantly over the prior year. A majority of the revenue generated by the business-type activities is done through contracts with other political subdivisions for use of the landfill.

Expenses

Governmental activities expenses totaled \$64.3 million for fiscal year 2012, which represents an increase of less than 1% over the prior year's total expenses. Expenses remained relatively unchanged over the prior year due to the lack of merit increases or changes in staffing levels.

The most significant changes in expenses were recorded in general government (\$0.6 million decrease), public safety (\$0.4 million decrease), highways and streets (\$2.0 million increase), health (\$1.4 million decrease), welfare (\$1.0 million increase), and education (\$0.4 million decrease). The decreases previously noted were attributed to a 7% reduction in the budget for the 2012 fiscal year. As a result of prior year declines and expected declines in future revenue streams, the County reduced the budget in an effort to preserve net assets. The increase in the highways and streets was due to various streets and roadway maintenance projects that were completed during the current fiscal year. These projects were delayed in prior years due to budget reductions, but the County restarted the maintenance program, which will continue over the next several years. Welfare increased due to an increase of approximately \$500 thousand in premium costs to the Arizona Long Term Care System (ALTCSS) operated through the Arizona Health Care Cost Containment System (AHCCCS) as well as increased costs of other welfare programs.

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Business-type activities' expenses decreased largely due to the expense of the landfill closure and post closure care costs. In the prior year, the County recorded \$0.1 million in expenses for landfill closure and postclosure care costs; however, in the current year, the liability was reduced by \$60k due to some changes in estimates related to the closure and post closure care costs, accounting for the \$0.2 million decrease in current year expenses.

Financial Analysis of the Government's Funds

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

Governmental funds

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$41,699,867, an increase of \$1,412,877 in comparison with the prior year's balance of \$40,286,990.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, fund balance of the general fund was \$25,379,775, an increase of 3% over the prior year's balance of \$24,610,525. The increase was largely due to a reduction in current year expenditures. Expenditures of the General Fund decreased over the prior year in most departments due to the 2012 budget reduction and reductions of various grant funding. The County reduced the 2012 budget in an effort to preserve fund balance as a result of expected declines in funding and to adjust for declines experienced in previous years. The County reported a decrease of \$4.4 million in capital outlay, accounting for a majority of the decrease in current year expenditures over the prior year. The prior year capital outlay expenditures were largely funded through prior year grants, accounting for a majority of the current year decrease of \$3.2 million in revenues over the prior year.

The public works fund reported an increase in fund balance of approximately \$19,590. Overall, actual public works fund expenditures were under budget by \$6.6 million. This overall increase in public works fund balance was not significant and current year revenues and expenditures remained relatively unchanged from the prior year (\$0.4 million decrease in current year revenues due to a reduction in grants from the Department of Transportation, offset by a \$0.4 million increase in expenditures due to carry over from previous year that was used for street and roadway capital and maintenance projects). Prior to the transfer for indirect costs, the public works fund reported a net change in fund balance of \$0.6 million, which was less than the prior year increase due to a decrease in revenues and an increase in expenditures.

Other Governmental Funds reported an increase in fund balance of \$624,037. The increase was largely due to carry over from donations and unspent grants received in the current year that will be carried forward for future programs.

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Proprietary Fund

The Landfill fund reported an increase in net assets of \$445,210. The increase was largely due to funds from operations that are set-aside to fund the future closure and post-closure care costs.

General Fund Budgetary Highlights

The general fund had budgeted expenditures before other financing sources and uses of \$60,002,801. Overall, actual general fund expenditures were under budget by \$18,615,615. The County had budgeted \$6,100,000 for reserves and contingencies, none of which was spent during the current fiscal year, accounting for 33 percent of expenditures under budget. The Education department had budgeted expenditures of \$411,775 while actual expenditures of \$1,942,503 were over budget due to not budgeting for the grants passed through to subrecipients. Grants passed through to subrecipients were recognized as revenues and corresponding expenditures. This also accounted for much of the favorable variance in intergovernmental revenues. The general fund had budgeted revenues of \$39,511,203. Revenues exceeded budget by \$2,174,878. Property taxes exceeded budget by \$993,992 due to collections of delinquent property taxes. The County had budgeted for property taxes according to the current year levy.

The significant County departments and other budgeted line items over budget are Personnel \$35,731, Purchasing \$7,389, AHCCCS Contributions \$124,329, Health \$19,074, Education \$1,530,728, and Debt Service \$18,042. The County will strive to improve its budgeting procedures and control in the future.

Significant line items that were less than budget were Board of Supervisors (\$3,286,169), General Administration (\$3,569,298), County Attorney (\$1,789,435), and County Sheriff (\$1,061,193). These line items were significantly less than budget due to reserves for unforeseen expenditures. The County will strive to improve its budgeting procedures and control in the future.

Capital Asset and Debt Administration

Capital Assets

The County's investment in capital assets for its governmental activities as of June 30, 2012, amounts to \$28,601,519 (net of accumulated depreciation), a net decrease of 8.2% from the prior year. Capital assets for the business-type activities as of June 30, 2012 amount to \$3,783,993. This investment in capital assets includes land, construction in progress, buildings, machinery and equipment and infrastructure assets (roads, highways, bridges, etc).

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Major capital asset activity during the fiscal year included:

Governmental Activities:

- During the fiscal year 2012, the County wrote-off \$1.9 million in construction in progress related to the Tonto Creek Bridge. The construction in progress included design costs and engineering costs; however, the project has been suspended and the County is not expecting the project to move forward and therefore all related costs were expensed in the current year.
- Completion of the women's jail dormitory. Total completed construction in progress totaled \$1.4 million, including \$0.1 million in current year construction costs.
- Completion of the public works complex. Total completed construction in progress totaled \$4.7 million, including \$0.5 million in current year construction costs.
- Completion of the Ice House bridge. Total completed construction in progress totaled \$0.9 million, including \$0.1 million in current year construction costs.
- Acquisition of \$0.6 million in vehicles.

The following table provides a breakdown of the County's capital assets as of June 30, 2012 and 2011.

**Capital Assets at Year-End
(Net of Accumulated Depreciation)
(in thousands)
June 30, 2012 and 2011**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 1,237	\$ 1,178	\$ 3,000	\$ 3,000	\$ 4,237	\$ 4,178
Construction in Progress	385	8,682	-	-	385	8,682
Buildings	12,956	7,300	-	-	12,956	7,300
Improvements Other than Buildings	786	760	-	-	786	760
Machinery and Equipment	5,171	5,806	737	920	5,908	6,726
Infrastructure	8,068	7,440	47	55	8,115	7,495
Total Capital Assets, Net	<u>\$ 28,603</u>	<u>\$ 31,166</u>	<u>\$ 3,784</u>	<u>\$ 3,975</u>	<u>\$ 32,387</u>	<u>\$ 35,141</u>

Additional information on the County's capital assets can be found in Note 5 on pages 34 through 35 of this report.

Long-term Debt

At the end of the current fiscal year, the County had total bonded debt outstanding of \$7,205,000 (excluding the premium on the bonds). This outstanding balance consists of series 2009 pledged revenue refunding obligations of \$1,025,000 (bond premium of \$28,032) to refund the outstanding 1999 series certificates of participation and series 2009 pledged revenue obligations of \$6,180,000 (bond premium of \$168,687) to finance construction costs for several County buildings. The County had long-term capital leases of \$70,750 for machinery and computer equipment.

Business-type long term liabilities consist of the landfill closure and post-closure care costs of \$2,646,157 and an equipment lease in the amount of \$32,435.

State statutes limit the amount of general obligation debt a county may issue to 6 percent of its total assessed valuation. The current debt limitation for the County is \$31,067,621. Since the County has no general obligation debt, this amount equals the debt capacity. Additional information on long-term debt can be found in Note 7 on pages 36 through 39 of this report.

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Economic Factors and Next Year's Budgets and Rates

The unemployment rate for Gila County is 8.2 percent at June 2012 which is lower than the previous year's rate of 10.9 percent. This compares to the state unemployment rate of 9.1 percent. There is also a decrease in property assessed valuations with no change in tax rate for the fiscal year 2012-13. These economic factors were considered in preparing the County's budget for this fiscal year 2012-13.

Requests for Information

This financial report is designed to provide a greater overview of Gila 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 as follows:

Finance Director
Gila County
1400 Street
Globe, Arizona 85501-1483

Basic Financial Statements

Gila County
Statement of Net Assets
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	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 9,392,119	\$ 1,583,456	\$ 10,975,575
Investments	30,650,809	-	30,650,809
Cash and Investments Held by Trustee	1,339,658	-	1,339,658
Receivables (net of allowances for uncollectibles):			
Property Taxes	970,033	-	970,033
Accounts	446,097	98,661	544,758
Due from Other Governments	3,999,836	-	3,999,836
Prepaid Item	1,440	-	1,440
Inventory	207,220	-	207,220
Restricted Cash	-	4,742,591	4,742,591
Deferred Charges	267,743	-	267,743
Internal Balances	5,617	(5,617)	-
Capital Assets			
Nondepreciable	1,621,407	3,000,000	4,621,407
Depreciable	26,980,112	783,993	27,764,105
Total Assets	75,882,091	10,203,084	86,085,175
Liabilities			
Accounts Payable	2,034,369	23,141	2,057,510
Accrued Payroll and Employee Benefits	1,446,791	23,315	1,470,106
Accrued Interest	159,575	-	159,575
Unearned Revenue	268,308	-	268,308
Matured Debt Principal Payable	305,000	-	305,000
Noncurrent Liabilities			
Due within one year	1,715,900	49,319	1,765,219
Due in more than one year	7,139,350	2,652,759	9,792,109
Total Liabilities	13,069,293	2,748,534	15,817,827
Net Assets			
Invested in Capital Assets, Net of Related Debt	22,004,133	3,751,558	25,755,691
Restricted for:			
Public Safety	1,743,233	-	1,743,233
Highways and Streets	8,736,511	-	8,736,511
Health	626,640	-	626,640
Welfare	834,167	-	834,167
Sanitation	94,859	-	94,859
Education	1,437,261	-	1,437,261
Housing	185,933	-	185,933
Library	728,085	-	728,085
Judicial Services	3,118,632	-	3,118,632
Capital Projects	256,879	-	256,879
Debt Service	326,366	-	326,366
Other	143,677	-	143,677
Landfill Closure and Postclosure Care Costs	-	2,096,434	2,096,434
Unrestricted	22,576,422	1,606,558	24,182,980
Total Net Assets	\$ 62,812,798	\$ 7,454,550	\$ 70,267,348

The accompanying notes are an integral part of these financial statements.

**Gila County
Statement of Activities
Year Ended June 30, 2012**

Functions	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 19,741,427	\$ 1,888,106	\$ 1,861,989	\$ -	\$ (15,991,332)		\$ (15,991,332)
Public Safety	16,528,311	1,182,790	3,161,318	-	(12,184,203)		(12,184,203)
Highways and Streets	10,014,194	1,725	4,305,331	955,347	(4,751,791)		(4,751,791)
Health	1,136,032	249,249	1,165,534	-	278,751		278,751
Welfare	10,741,940	61,908	4,845,608	-	(5,834,424)		(5,834,424)
Sanitation	97,670	-	115,502	-	17,832		17,832
Culture and Recreation	1,490,536	18,014	116,978	-	(1,355,544)		(1,355,544)
Education	4,249,033	238,564	3,577,270	-	(433,199)		(433,199)
Interest and Fiscal Charges	325,606	-	-	-	(325,606)		(325,606)
Total Governmental Activities	64,324,749	3,640,356	19,149,530	955,347	(40,579,516)		(40,579,516)
Business-Type Activities							
Landfill	975,635	1,516,263	-	-		\$ 540,628	540,628
Total Primary Government	\$ 65,300,384	\$ 5,156,619	\$ 19,149,530	\$ 955,347	(40,579,516)	540,628	(40,038,888)
General revenues:							
Taxes:							
Property Taxes, Levied for General Purposes					22,021,893	-	22,021,893
Property Taxes, Levied for Street Lighting Districts					78,537	-	78,537
Property Taxes, Levied for Library District					1,065,113	-	1,065,113
County General and Transportation Sales Tax					5,658,624	-	5,658,624
Share of State Sales Tax					4,688,585	-	4,688,585
Shared Revenue-State Vehicle License Tax					1,621,830	-	1,621,830
Payments in Lieu of Taxes					3,459,383	-	3,459,383
Grants and Contributions not Restricted to Specific Programs					50,000	-	50,000
Investment Income					213,684	18,564	232,248
Miscellaneous					590,052	-	590,052
Transfers					113,982	(113,982)	-
Total General Revenues and Transfers					39,561,683	(95,418)	39,466,265
Change in Net Assets					(1,017,833)	445,210	(572,623)
Net Assets, July 1, 2011					63,830,631	7,009,340	70,839,971
Net Assets, June 30, 2012					\$ 62,812,798	\$ 7,454,550	\$ 70,267,348

The accompanying notes are an integral part of these financial statements.

**Gila County
Balance Sheet
Governmental Funds
June 30, 2012**

	<u>General Fund</u>	<u>Public Works Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and Investments	\$ 25,581,247	\$ 8,502,370	\$ 5,959,311	\$ 40,042,928
Cash and Investments Held by Trustee	1,339,658	-	-	1,339,658
Receivables (net of allowances for uncollectibles):				
Property Taxes	919,256	-	50,777	970,033
Accounts	169,084	1,834	275,179	446,097
Due from:				
Other Funds	101,373	-	-	101,373
Other Governments	1,193,911	670,023	2,135,902	3,999,836
Prepaid Item	-	-	1,440	1,440
Inventory	175,417	31,803	-	207,220
	<u>\$ 29,479,946</u>	<u>\$ 9,206,030</u>	<u>\$ 8,422,609</u>	<u>\$ 47,108,585</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 1,248,130	\$ 323,114	\$ 463,125	\$ 2,034,369
Accrued Payroll and Employee Benefits	1,064,147	160,844	221,800	1,446,791
Accrued Interest	159,575	-	-	159,575
Due to Other Funds	-	36,174	59,582	95,756
Deferred Revenues	1,323,319	-	43,908	1,367,227
Matured Debt Principal Payable	305,000	-	-	305,000
Total liabilities	<u>4,100,171</u>	<u>520,132</u>	<u>788,415</u>	<u>5,408,718</u>
Fund balances:				
Nonspendable	175,417	31,803	1,440	208,660
Restricted	1,463,927	8,654,095	8,080,978	18,199,000
Unassigned	23,740,431	-	(448,224)	23,292,207
Total Fund Balances	<u>25,379,775</u>	<u>8,685,898</u>	<u>7,634,194</u>	<u>41,699,867</u>
Total Liabilities and Fund Balances	<u>\$ 29,479,946</u>	<u>\$ 9,206,030</u>	<u>\$ 8,422,609</u>	<u>\$ 47,108,585</u>

The accompanying notes are an integral part of these financial statements.

Gila County
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2012

Total Fund Balance for Governmental Funds	\$ 41,699,867
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	28,601,519
Some receivables are not available to pay for current-period expenditures and therefore, are deferred in the funds.	1,098,919
Deferred charges on issuance of long term liabilities are not financial resources and therefore are not reported in the governmental funds.	267,743
Some liabilities, including bonds payable, premium on the bonds and compensated absences, are not due and payable in the current period and therefore, are not reported in the funds.	(8,855,250)
Net Assets of Governmental Activities	<u>\$ 62,812,798</u>

The accompanying notes are an integral part of these financial statements.

Gila County
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2012

	General Fund	Public Works Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 25,065,512	\$ 2,879,485	\$ 1,143,650	\$ 29,088,647
Licenses and Permits	497,896	1,725	-	499,621
Intergovernmental	12,987,879	4,076,324	12,173,051	29,237,254
Charges for Services	2,210,195	85,953	433,148	2,729,296
Fines and Forfeitures	491,501	-	-	491,501
Donations and Contributions	2,500	-	338,275	340,775
Investment Income	126,784	50,742	36,160	213,686
Miscellaneous	303,814	29,666	256,970	590,450
Total Revenue	<u>41,686,081</u>	<u>7,123,895</u>	<u>14,381,254</u>	<u>63,191,230</u>
Expenditures				
Current:				
General Government	18,323,965	-	518,719	18,842,684
Public Safety	13,310,286	-	2,550,674	15,860,960
Highways and Streets	-	5,815,873	237,570	6,053,443
Health	1,352,314	-	1,088,609	2,440,923
Welfare	4,161,992	-	5,193,938	9,355,930
Sanitation	-	-	84,799	84,799
Culture and Recreation	252,579	-	1,214,732	1,467,311
Education	1,942,503	-	2,300,269	4,242,772
Debt Service:				
Principal Retirement	324,764	-	-	324,764
Interest and Fiscal Charges	321,428	-	-	321,428
Capital Outlay	1,397,355	666,698	923,782	2,987,835
Total Expenditures	<u>41,387,186</u>	<u>6,482,571</u>	<u>14,113,092</u>	<u>61,982,849</u>
Excess of Revenues over Expenditures	298,895	641,324	268,162	1,208,381
Other Financing Sources (Uses):				
Capital Lease Agreements	90,514	-	-	90,514
Transfers In	736,557	-	356,716	1,093,273
Transfers Out	(356,716)	(621,734)	(841)	(979,291)
Total Other Financing Sources (Uses)	<u>470,355</u>	<u>(621,734)</u>	<u>355,875</u>	<u>204,496</u>
Net Change in Fund Balances	769,250	19,590	624,037	1,412,877
Fund Balances, Beginning of Year	<u>24,610,525</u>	<u>8,666,308</u>	<u>7,010,157</u>	<u>40,286,990</u>
Fund Balances, End of Year	<u>\$ 25,379,775</u>	<u>\$ 8,685,898</u>	<u>\$ 7,634,194</u>	<u>\$ 41,699,867</u>

The accompanying notes are an integral part of these financial statements.

Gila County
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of the Governmental Funds
to the Statement of Activities
Year Ended June 30, 2012

Net Change in Fund Balances - Total Governmental Funds \$ 1,412,877

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	\$ 1,903,150	
Construction in Progress write-off (Note 5)	(1,917,341)	
Depreciation Expense	<u>(2,357,649)</u>	(2,371,840)

The statement of activities reports losses and gains arising from the disposal of existing capital assets. Conversely, governmental funds do not report any gain or loss on disposals of capital assets. (192,291)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,704

Issuance of long-term debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Capital Lease Agreements	(90,514)	
Bond Premium	11,572	
Bond issue costs	(15,750)	
Principal Repaid	<u>324,764</u>	230,072

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 and liabilities are reported regardless of when the financial resources are available.

Increase in Compensated Absences		(98,355)
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Change in Net Assets of Governmental Activities \$ (1,017,833)

The accompanying notes are an integral part of these financial statements.

Gila County
Statement of Net Assets
Proprietary Fund
June 30, 2012

	Business-Type Activities - Landfill
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 1,583,456
Accounts Receivable (Net)	98,661
Total Current Assets	1,682,117
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	4,742,591
Capital Assets	
Non-Depreciable	3,000,000
Depreciable (net)	783,993
Total Noncurrent Assets	8,526,584
Total Assets	10,208,701
Liabilities	
Current Liabilities:	
Accounts Payable	23,141
Accrued Wages and Benefits	23,315
Due to Other Funds	5,617
Compensated Absences	23,486
Capital Leases Payable	25,833
Total Current Liabilities	101,392
Noncurrent Liabilities:	
Capital Leases Payable	6,602
Landfill Closure and Postclosure Care Costs Payable	2,646,157
Total Noncurrent Liabilities	2,652,759
Total Liabilities	2,754,151
Net Assets	
Invested in Capital Assets, Net of Related Debt	3,751,558
Restricted for Landfill Closure and Postclosure Care Costs	2,096,434
Unrestricted	1,606,558
Total Net Assets	\$ 7,454,550

The accompanying notes are an integral part of these financial statements.

Gila County
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
Year Ended June 30, 2012

	Business-Type Activities - Landfill
Operating Revenues:	
Charges for Services	\$ 1,516,263
Operating Expenses:	
Personnel Services and Employee Benefits	553,389
Professional Services	44,995
Supplies	57,776
Utilities	5,025
Repairs and Maintenance	70,724
Other	50,737
Depreciation	191,378
Total Operating Expenses	974,024
Operating Income	542,239
Nonoperating Revenues (Expense):	
Investment Earnings	18,564
Interest Expense	(1,611)
Total Nonoperating Revenue (Expense)	16,953
Income Before Transfers	559,192
Transfers Out	(113,982)
Change in Net Assets	445,210
Net Assets	
Beginning of Year	7,009,340
End of Year	\$ 7,454,550

The accompanying notes are an integral part of these financial statements.

Gila County
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2012

	Business-Type Activities - Landfill
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 1,557,126
Payments to Suppliers	(309,367)
Payments to Employees	(552,099)
Net Cash Provided by Operating Activities	695,660
Cash Flows from Noncapital Financing Activities:	
Cash Received From Other Funds for Interfund Borrowing	5,617
Transfer Out	(113,982)
Net Cash Used for Noncapital Financing Activities	(108,365)
Cash Flows from Capital and Related Financing Activities:	
Principal Paid on Capital Lease	(24,945)
Interest Paid on Capital Lease	(1,611)
Net Cash Used for Capital and Related Financing Activities	(26,556)
Cash Flows from Investing Activities:	
Investment Income	18,564
Net Change in Cash and Cash Equivalents	579,303
Cash and Cash Equivalents, Beginning of Year	5,746,744
Cash and Cash Equivalents, End of Year (Including \$4,742,591 of Restricted Cash and Cash Equivalents)	\$ 6,326,047
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income	\$ 542,239
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	191,378
Change in Assets/Liabilities:	
Accounts Receivable	40,863
Accounts Payable	(19,597)
Accrued Wages and Benefits	3,447
Compensated Absences	(2,157)
Landfill Closure and Postclosure Care Costs Payable	(60,513)
Net Cash Provided by Operating Activities	\$ 695,660

The accompanying notes are an integral part of these financial statements.

Gila County
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Investment Trust Fund	Agency Funds
Assets		
Cash and Cash Equivalents	\$ -	\$ 951,551
Investments	36,770,579	-
Total Assets	36,770,579	\$ 951,551
Liabilities		
Due to Other Governments	-	\$ 417,251
Deposits Held for Others	-	534,300
Total Liabilities	-	\$ 951,551
Net Assets		
Held in Trust for Investment Trust Participants	\$ 36,770,579	

The accompanying notes are an integral part of these financial statements.

Gila County
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2012

	Investment Trust Fund
Additions:	
Contributions from Participants	\$ 138,912,522
Investment Earnings	71,643
Total Additions	138,984,165
Deductions:	
Distributions to Participants	139,723,717
Change in Net Assets	(739,552)
Net Assets, July 1, 2011	37,510,131
Net Assets, June 30, 2012	\$ 36,770,579

The accompanying notes are an integral part of these financial statements.

**Gila County
Notes to Financial Statements
June 30, 2012**

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Gila County 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 three county supervisors. The accompanying financial statements present the activities of the County (the primary government) and its component units.

Component units are legally separate entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are so intertwined with the County that they are in substance part of the County's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County. Each blended component unit discussed below has a June 30 year-end. The County has no discretely presented component units.

The following table describes the County's component units:

<u>Component Unit</u>	<u>Description; Criteria for Inclusion</u>	<u>Reporting Method</u>	<u>For Separate Financial Statements</u>
Gila County Library District	Provides and maintains library services for the County's residents; the County's Board of Supervisors serves as the board of directors	Blended	Not available
Gila County Street Lighting Districts	Operates and maintains street lighting in areas outside local city jurisdictions; the County's Board of Supervisors serves as the board of directors	Blended	Not available

Related Organizations

The Environmental Economic Community Organization and Eastern Arizona Counties Organization are legally separate entities that were created to assist in the economic development of commercial and industrial enterprises for Gila County. Their operations are completely separate from the County and the County is not financially accountable for these organizations. Therefore, the financial activities of these organizations are not included in the accompanying financial statements.

Gila County
Notes to Financial Statements
June 30, 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

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 usefulness of the information.

Government-wide statements—provide information about the primary government (the County) and its component units. The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the County and between the County and its discretely presented component units. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities and segment of its business-type 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, and
- capital grants and contributions, including special assessments.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes levied or imposed by the County 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, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

Gila County
Notes to Financial Statements
June 30, 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Proprietary fund revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses generally result from transactions associated with the fund's principal activity. Accordingly, revenues, such as user charges, in which each party receives and gives up essentially equal values, are operating revenues. Other revenues, such as subsidies, result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues along with investment earnings and revenues generated by ancillary activities. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered to be nonoperating expenses.

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 *Public Works Fund*, a special revenue fund, accounts for road construction and maintenance of major and nonmajor regional roads, and is funded by a ½ cent County sales tax, impact fees, and by highway user revenue.

The County reports the following proprietary fund:

The *Landfill Fund* accounts for the activities of the County's landfill operations.

Additionally, the County reports the following fund types:

The *Investment Trust Fund* accounts for pooled assets held and invested by the County Treasurer on behalf of the other governmental entities.

The *Agency Funds* account for assets held by the County as an agent for the State and various local governments, and for property taxes collected and distributed to the state and local governments.

C. Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are presented using the economic resources measurement focus, with the exception of agency funds, and the accrual basis of accounting. The agency funds are custodial in nature and do not have a measurement focus. 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.

Gila County
Notes to Financial Statements
June 30, 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

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 net assets 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 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 income. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and 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.

The County's business-type activities and enterprise funds follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The County has chosen the option not to follow FASB Statements and Interpretations issued after November 30, 1989.

D. Cash and Investments

For purposes of its statement of cash flows, the County considers cash on hand, demand deposits, cash on deposit with the County Treasurer, and only those highly liquid investments with a maturity of 3 months or less when purchased to be cash equivalents.

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest-earning investment contracts with a remaining maturity of 1 year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

E. Property Taxes Calendar

The County levies real and personal property taxes on or before the third Monday in August that become due and payable in two 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.

Gila County
Notes to Financial Statements
June 30, 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

F. Capital Assets

Capital assets are reported at actual cost or estimated historical cost if historical records are not available. At June 30, 2012, 27 percent of the total governmental activities capital assets are stated at estimated historical cost based on price levels at time of acquisition. Donated assets are reported at estimated fair 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 and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 5,000	N/A	N/A
Buildings	5,000	Straight-Line	7-30 years
Improvements Other Than Buildings	5,000	Straight-Line	20 years
Machinery and Equipment	5,000	Straight-Line	3-25 years
Infrastructure	50,000	Straight-Line	7-50 years

G. Net Assets

In the government-wide financial statements, net assets are reported in three categories; net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt is separately reported because the County reports all County assets which make up a significant portion of total net assets. Restricted net assets account for the portion of net assets restricted by parties outside the County. Unrestricted net assets are the remaining net assets not included in the previous two categories.

H. Fund Balance Classifications

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. 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.

Gila County
Notes to Financial Statements
June 30, 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

H. Fund Balance Classifications (Continued)

The unrestricted fund balance category is comprised of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations approved by the County's Board of Supervisors, which is the highest level of decision-making authority within the County. The constraints placed on committed fund balances can only be removed or changed by the Board. Fund balances must be committed prior to the end of the fiscal year.

Assigned fund balances are resources constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Supervisors has not authorized any one particular County employee to make assignments of 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, it's the County's policy to use restricted fund balance first. For the disbursement of unrestricted fund balances, it is the County's policy to use committed amounts first, followed by assigned, and lastly unassigned amounts.

I. Investment Income

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

J. Compensated Absences

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

Employees may accumulate up to 240 hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount that are unused at year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the government-wide and proprietary fund financial statements. A liability 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.

Gila County
Notes to Financial Statements
June 30, 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

J. Compensated Absences (Continued)

Employees may accumulate an unlimited number of sick leave hours. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of 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 1,000 hours of sick leave receive a \$3,000 bonus. The liability for the bonus related to the sick leave is recorded in the government-wide and proprietary fund 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.

Note 2 – Individual Fund Deficits

The following Special Revenue Funds had fund deficits in excess of \$1,000 as of June 30, 2012:

Fund	Deficit
Proposition 201 Smoke Free AZ Act	\$ 12,851
Sheriff BLESF Program	219,046
Crime Victim Assistance Program	12,474
Adult Intensive Probation Supervision	55,049
State Aid Enhancement	134,859
Tonto Creek Bridge Fund	13,478

These fund deficits resulted either from operations or a carryover deficit from prior years, but are expected to be corrected through normal operations or through General Fund transfers in future years.

Note 3 – Deposits and Investments

Arizona Revised Statutes (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 and notes; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper, bonds, debentures, and notes issued by corporations organized and doing business in the United States; 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.

Gila County
Notes to Financial Statements
June 30, 2012

Note 3 – Deposits and Investments (Continued)

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. Corporate bonds, debentures, and notes must be rated within the top three ratings by a nationally recognized rating agency.
3. Fixed income securities must carry one of the two highest ratings by Moody's investors 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.

Custodial credit risk - Statutes require collateral for demand deposits and certificates of deposit at 101 percent of all deposits not covered by federal depository insurance. The County was not subject to custodial credit risk.

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 and that public operating fund monies invested in securities and deposits have a maximum maturity of 3 years. Investments in repurchase agreements must have a maximum maturity of 180 days.

Foreign currency risk - Statutes do not allow foreign investments.

Deposits—At June 30, 2012, the carrying amount of the County's deposits was \$16,663,717 and the bank balance was \$17,475,579.

Investments—The County's investments at June 30, 2012, were as follows:

Investment Type	Amount
U.S. Agency Securities	\$ 48,234,161
Corporation Obligations	17,677,618
U.S. Treasury Money Market Fund	1,339,658
U.S. Treasury Note	1,509,609
	\$ 68,761,046

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.

Gila County
Notes to Financial Statements
June 30, 2012

Note 3 – Deposits and Investments (Continued)

At June 30, 2012, credit risk for the County's investments was as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
U.S. Agency Securities	Aaa	Moody's	\$ 48,234,161
Corporate Obligations	AA+	S&P	4,982,210
Corporate Obligations	A+	S&P	2,996,682
Corporate Obligations	A	S&P	1,999,044
Corporate Obligations	AA-	S&P	5,689,862
Corporate Obligations	Aaa	Moody's	2,009,820
U.S. Treasury Money Market Fund	Aaa	Moody's	1,339,658
U.S. Treasury Note	Aaa	Moody's	1,509,609
			<u>\$ 68,761,046</u>

Custodial credit risk—For an investment, custodial credit risk is the risk that, in the event of the counterparty's failure, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a formal policy with respect to custodial credit risk.

At June 30, 2012, the County had \$1,339,658 of investments reported in the General Fund. The investments were held by a trustee in a U. S. Treasury money market fund and was uninsured, not registered in the County's name, and held by the counterparty.

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.

Five percent or more of the County's investments at June 30, 2012, were in debt securities of various U.S. agencies as follows:

<u>U.S. Agency</u>	<u>Amount</u>	<u>Percent of County Investments</u>
Federal Home Loan Bank System	\$ 6,453,852	9.4%
Federal National Mortgage Association	26,519,240	38.6%
Federal Home Loan Mortgage System	13,246,363	19.3%
	<u>\$ 46,219,455</u>	

Gila County
Notes to Financial Statements
June 30, 2012

Note 3 – Deposits and Investments (Continued)

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.

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities</u>	
		<u>Less than 1 Year</u>	<u>1-5 Years</u>
U.S. Agency Securities	\$ 48,234,161	\$ 3,746,871	\$ 44,487,290
Corporate Obligations	17,677,618	6,424,445	11,253,173
U.S. Treasury Money Market Fund	1,339,658	1,339,658	-
U.S. Treasury Note	1,509,609	-	1,509,609
	<u>\$ 68,761,046</u>	<u>\$ 11,510,974</u>	<u>\$ 57,250,072</u>

A reconciliation of cash, deposits, and investments to amounts shown on the Statement of Net Assets and Statement of Fiduciary Net Assets follows:

Cash, Deposits, and Investments:

Cash on Hand	\$ 6,000
Amount of Deposits	16,663,717
Amount of Investments	<u>68,761,046</u>
	<u>\$ 85,430,763</u>

	<u>Statement of Net Assets</u>		<u>Statement of Fiduciary Net Assets</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Investment Trust Fund</u>	<u>Agency Funds</u>	
Cash and Cash Equivalents	\$ 9,392,119	\$ 1,583,456	\$ -	\$ 951,551	\$ 11,927,126
Investments	30,650,809	-	36,770,579	-	67,421,388
Total Cash and Investments	<u>40,042,928</u>	<u>1,583,456</u>	<u>36,770,579</u>	<u>951,551</u>	<u>79,348,514</u>
Restricted Cash	-	4,742,591	-	-	4,742,591
Cash and Investments Held by Trustee	1,339,658	-	-	-	1,339,658
	<u>\$ 41,382,586</u>	<u>\$ 6,326,047</u>	<u>\$ 36,770,579</u>	<u>\$ 951,551</u>	<u>\$ 85,430,763</u>

Restricted cash represents monies set aside as part of the landfill line of credit agreement discussed further in Note 7 to the financial statements.

Gila County
Notes to Financial Statements
June 30, 2012

Note 4 – Due from Other Governments

Amounts due from other governments at June 30, 2012, in the Statement of Net Assets include \$487,444 in County excise and transportation tax, \$315,557 in Highway User Revenue, \$271,646 in state-shared sales tax, \$185,471 in auto lieu tax and license registration fees, \$43,915 in Medicaid refunds, \$496,136 in Workforce Investment Act grants, \$54,086 in federal forest service reimbursements, \$103,889 in health service grants, \$711,112 in other community service grants, \$48,441 in road related grant reimbursements, \$221,933 in other federal grants, \$192,492 in state grants, \$219,710 in education grants, \$258,168 in state school equalization, and \$389,836 in reimbursements and charges for services due from various government agencies.

Note 5 – Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,177,944	\$ 58,793	\$ -	\$ 1,236,737
Construction in Progress (estimated cost to complete \$2,398,925)	8,682,200	849,152	9,146,682	384,670
Total Capital Assets, Not Being Depreciated	9,860,144	907,945	9,146,682	1,621,407
Capital Assets, Being Depreciated:				
Buildings	20,720,037	6,139,818	-	26,859,855
Improvements Other Than Buildings	995,871	71,881	-	1,067,752
Machinery and Equipment	23,412,496	923,324	397,504	23,938,316
Infrastructure	13,949,015	1,089,523	-	15,038,538
Total Capital Assets, Being Depreciated	59,077,419	8,224,546	397,504	66,904,461
Accumulated Depreciation for:				
Buildings	13,419,802	484,453	-	13,904,255
Improvements Other Than Buildings	235,854	45,991	-	281,845
Machinery and Equipment	17,606,727	1,365,907	205,213	18,767,421
Infrastructure	6,509,530	461,298	-	6,970,828
Total Accumulated Depreciation	37,771,913	2,357,649	205,213	39,924,349
Total Capital Assets, Being Depreciated, Net	21,305,506	5,866,897	192,291	26,980,112
Governmental Activities Capital Assets, Net	\$ 31,165,650	\$ 6,774,842	\$ 9,338,973	\$ 28,601,519

Prior to 2012, the county tracked expenditures related to the design and engineering for a future road project. In 2012, it was determined that the project would not reach the construction phase. The County elected to write-off the design and engineering costs totaling \$1,917,341.

Gila County
Notes to Financial Statements
June 30, 2012

Note 5 – Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 3,000,000	\$ -	\$ -	\$ 3,000,000
Capital Assets, Being Depreciated:				
Machinery and Equipment	4,550,105	-	-	4,550,105
Infrastructure	169,340	-	-	169,340
Total Capital Assets, Being Depreciated	4,719,445	-	-	4,719,445
Accumulated Depreciation for:				
Machinery and Equipment	3,630,440	182,911	-	3,813,351
Infrastructure	113,634	8,467	-	122,101
Total Accumulated Depreciation	3,744,074	191,378	-	3,935,452
Total Capital Assets, Being Depreciated, Net	975,371	(191,378)	-	783,993
Business-Type Activities Capital Assets, Net	\$ 3,975,371	\$ (191,378)	\$ -	\$ 3,783,993

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 791,781
Public Safety	487,593
Highways and Streets	947,825
Health	50,584
Welfare	39,043
Sanitation	12,871
Culture and Recreation	23,262
Education	4,690
	<u>\$ 2,357,649</u>
Business-Type Activities:	
Landfill	<u>\$ 191,378</u>

Construction Commitments

The County has active construction projects as of June 30, 2012, with estimated costs to complete of \$2,398,925 of which the more significant of these projects includes the Monroe Street Reconstruction, Pine Creek Canyon Road, Roberts Dr Realignment, and Russell Road Turn Lane. Funding will be provided from the prior year bond issues.

Gila County
Notes to Financial Statements
June 30, 2012

Note 6 – Loans Payable

The County maintains a revolving line of credit with a \$3,500,000 limit and interest payable at the same time as principal, which is contingent on the County's receipt of "nonrestricted operating revenues" as defined by A.R.S. §11-604.01. The credit line is secured by "nonrestricted" operating revenues received by the County Treasurer. Any unpaid principal and interest becomes due on the maturity date of June 30 of each year. The interest rate is at the bank's prime rate less 3.55% for fiscal year 2012. The following schedule summarizes the activity for the line of credit for the fiscal year ended June 30, 2012. The County had no outstanding balance at year-end.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within 1 Year
Governmental Activities					
Line of Credit	\$ -	\$ 177,802	\$ 177,802	\$ -	\$ -

Note 7 – Long-Term Liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Series 2009 Pledged Revenue Refunding Obligations	\$ 1,070,000	\$ -	\$ 45,000	\$ 1,025,000	\$ 45,000
Series 2009 Pledged Revenue Obligations	6,440,000	-	260,000	6,180,000	265,000
Bond Premium	208,291	-	11,572	196,719	-
Capital Leases Payable	-	90,514	19,764	70,750	23,119
Compensated Absences Payable	1,284,426	1,816,574	1,718,219	1,382,781	1,382,781
Governmental Activities Long-Term Liabilities	\$ 9,002,717	\$ 1,907,088	\$ 2,054,555	\$ 8,855,250	\$ 1,715,900

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities					
Capital Leases Payable	\$ 57,380	\$ -	\$ 24,945	\$ 32,435	\$ 25,833
Landfill Closure and Postclosure Care Costs Payable	2,706,670	-	60,513	2,646,157	-
Compensated Absences Payable	25,643	32,529	34,686	23,486	23,486
Business-Type Activities Long-Term Liabilities	\$ 2,789,693	\$ 32,529	\$ 120,144	\$ 2,702,078	\$ 49,319

Gila County
Notes to Financial Statements
June 30, 2012

Note 7 – Long-Term Liabilities (Continued)

Series 2009 Pledged Revenue Obligations—During the year ended June 30, 2010, the County issued \$8,000,000 in pledged revenue obligations with an interest rate of 3.0-5.0 percent to finance renovation costs for a newly-acquired county administration building and several other County buildings, and to advance refund the outstanding 1999 Series A certificates of participation. The obligations are generally noncallable, with interest payable semi-annually. The County's obligation to make pledged revenue obligation payments will be payable solely from, and secured by, a pledge and lien upon the County's excise taxes through fiscal year 2029. Annual principal and interest payments on the bonds are expected to require less than 15% of pledged revenues. In the current year, total principal and interest paid, and total pledged resources were \$624,150 and \$4,688,585 respectively.

Bonds payable at June 30, 2012, were as follows:

<u>Description</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2012</u>
Series 2009	3-5%	7/1/2012-2029	\$ 8,000,000	\$ 7,205,000

The following schedule details debt service requirements to maturity for the County's pledged revenue obligation bonds at June 30, 2012:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 310,000	\$ 310,000
2014	320,000	300,700
2015	325,000	291,100
2016	340,000	281,350
2017	350,000	267,750
2018-2022	1,980,000	1,116,550
2023-2027	2,430,000	658,800
2028-2029	1,150,000	87,000
Total	<u>\$ 7,205,000</u>	<u>\$ 3,313,250</u>

In prior years, the County defeased certain certificates of participation by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old certificates. Accordingly, the trust account assets and the liability for these defeased bonds are not included in the County's financial statements. At June 30, 2012, \$610,000 of the 1999 Series A certificates of participation remains and was considered defeased.

Gila County
Notes to Financial Statements
June 30, 2012

Note 7 – Long-Term Liabilities (Continued)

Capital leases—The County has acquired machinery 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 assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Machinery and Equipment	\$ 90,514	\$ 75,525
Less: Accumulated Depreciation	18,103	25,140
Carrying Value	<u>\$ 72,411</u>	<u>\$ 50,385</u>

The following schedule details debt service requirements to maturity for the County's capital leases payable at June 30, 2012:

<u>Year Ending June 30,</u>	Governmental Activities	Business-Type Activities
2013	\$ 27,425	\$ 26,556
2014	27,425	6,639
2015	14,761	-
2016	9,381	-
Total Minimum Lease Payments	78,992	33,195
Less Amount Representing Interest	8,242	760
Present Value of Net Minimum Lease Payments	<u>\$ 70,750</u>	<u>\$ 32,435</u>

Landfill closure and postclosure care costs—State and federal laws and regulations require the County to place a final cover on its six landfill sites when they stop accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. Although closure and postclosure care costs will not be paid until near or after the date that the landfills stop accepting waste, the County reports a portion of these closure and postclosure care costs in each operating period. These costs will be paid from the Landfill Fund.

The amount recognized each year is based on landfill capacity used at the end of each fiscal year. The \$2,646,157 reported as landfill closure and postclosure care liability at June 30, 2012, represents the cumulative amount reported to date based on the approximate use of 62 percent of the estimated capacity of the Buckhead Mesa Landfill and 56 percent of the Russell Gulch Landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$1,832,133 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in fiscal year 2012.

Gila County
Notes to Financial Statements
June 30, 2012

Note 7 – Long-Term Liabilities (Continued)

Landfill closure and postclosure care costs (Continued)—The County has closed four of its landfills as of June 30, 1996, and expects to close the two remaining landfills in 2020 and 2034. The actual costs may also be higher due to inflation, changes in technology, or changes in regulations. The County is planning for expansion of these landfills to extend their useful lives.

In order to comply with state and federal laws and regulations, the County obtained a letter of credit on July 9, 2009, to ensure the costs of landfill closure, postclosure, and possible corrective action can be met. As part of the agreement for the line of credit, the County established a mandatory sinking fund with an escrow agent. The sinking fund balance will equal the estimated landfill closure and postclosure care costs when the landfills are expected to close. The current balance is reported in the business-type activities statement of net assets and the proprietary fund statement of net assets as restricted cash. For fiscal year 2012, the County's annual payments to comply with this agreement total \$256,350. The County entered this agreement as an alternative to complying with the local government financial test requirements.

Insurance Claims—The County provides life, health, and disability benefits to its employees and their dependents through the Arizona Local Government Employee Benefit Trust currently composed of six member counties. The Trust provides the benefits through a self-funding agreement with its participants and administers the program and the County is responsible for paying the premium and may require 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.

Compensated Absences—During the year ended June 30, 2012, the County paid for compensated absences as follows: 56% from the General Fund, 11% from the Public Works Fund, 2% from the Landfill Fund, and 31% from other funds. Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs.

Special Use Permit—The Buckhead Mesa Landfill was issued a special use permit from the United States Department of Agriculture Forest Service for the purpose of using and maintaining a sanitary landfill, which expires on December 31, 2019 and has annual fees of \$18,998.

Gila County
Notes to Financial Statements
June 30, 2012

Note 8 – Fund Balance Classifications of the Governmental Funds

The fund balance classifications of the governmental funds as of June 30, 2012, were as follows:

	General Fund	Public Works Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable:				
Prepaid Item	\$ -	\$ -	\$ 1,440	\$ 1,440
Inventories	175,417	31,803	-	207,220
Total Nonspendable	<u>175,417</u>	<u>31,803</u>	<u>1,440</u>	<u>208,660</u>
Restricted for:				
Public Safety	948,042	-	795,191	1,743,233
Highways and Streets	-	8,654,095	50,613	8,704,708
Health	31,733	-	594,907	626,640
Welfare	-	-	832,727	832,727
Sanitation	-	-	94,859	94,859
Education	1,099	-	1,436,162	1,437,261
Housing	-	-	185,933	185,933
Library	-	-	728,085	728,085
Judicial Services	156,687	-	2,961,945	3,118,632
Capital Projects	-	-	256,879	256,879
Debt Service	326,366	-	-	326,366
Other	-	-	143,677	143,677
Total Restricted	<u>1,463,927</u>	<u>8,654,095</u>	<u>8,080,978</u>	<u>18,199,000</u>
Unassigned	<u>23,740,431</u>	<u>-</u>	<u>(448,224)</u>	<u>23,292,207</u>
Total Fund Balance	<u>\$ 25,379,775</u>	<u>\$ 8,685,898</u>	<u>\$ 7,634,194</u>	<u>\$ 41,699,867</u>

Note 9 – Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters; but was unable to obtain insurance at a cost it considered to be economically justifiable. Therefore, the County joined and is covered by three public entity risk pools: the Arizona Counties Property and Casualty Pool and the Arizona Counties Workers' Compensation Pool, which are described below, and the Arizona Local Government Employee Benefit Trust, which is described above.

Gila County
Notes to Financial Statements
June 30, 2012

Note 9 – Risk Management (Continued)

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 11 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 \$25,000 per occurrence for property claims and \$25,000 per occurrence for liability claims. The County is also responsible for any payments in excess of the maximum coverage of \$300 million per occurrence for property claims and \$15 million per occurrence for liability claims. However, lower limits apply to certain categories of losses. A county must participate in the pool at least three years after becoming a member; however, it may withdraw after the initial three-year period. If the pool were to become insolvent, the County would be assessed an additional contribution.

The Arizona Counties Workers' Compensation Pool is a public entity risk pool currently composed of 11 member counties. The pool provides member counties with workers' compensation coverage, as required by law, 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 Counties Property and Casualty Pool and the Arizona Counties Workers' Compensation Pool receive independent audits annually and an audit by the Arizona Department of Insurance every 5 years. Both pools accrue liabilities for losses that have been incurred but not reported. These liabilities are determined annually based on an independent actuarial valuation.

The County has not experienced any significant decreases in insurance coverage from the prior year and has not had any settlements in excess of coverage in the past three years.

Gila County
Notes to Financial Statements
June 30, 2012

Note 10 – Pensions and Other Postemployment Benefits

Plan Descriptions—The County contributes to the four plans described below. Benefits are established by state statute and the plans generally provide retirement, long-term disability, and health insurance premium benefits, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retirees' average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. Health insurance premium benefits are generally paid as a fixed dollar amount per month towards the retiree's healthcare insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

The Arizona State Retirement System (ASRS) administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan that covers employees of the State of Arizona and employees of participating political subdivisions and school districts. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The Public Safety Personnel Retirement System (PSPRS) administers an agent multiple employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona and participating political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a seven-member board, known as The Board of Trustees, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The Corrections Officer Retirement Plan (CORP) administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers state, county, and local correction officers; dispatchers; and probation, surveillance, and juvenile detention officers. The CORP is governed by The Board of Trustees of PSPRS and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

The Elected Officials Retirement Plan (EORP) administers a cost-sharing, multiple-employer defined benefit pension plan and a cost-sharing, multiple-employer defined benefit health insurance premium plan that covers State of Arizona and county elected officials and judges, and elected officials of participating cities. The EORP is governed by The Board of Trustees of PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. Because the health insurance premium plan benefit of the EORP is not established as a formal trust, the EORP is reported in accordance with GASB Statement No. 45 as an agent multiple-employer defined benefit plan. Accordingly, the disclosures that follow reflect the EORP as if it were an agent multiple-employer defined benefit plan.

Gila County
Notes to Financial Statements
June 30, 2012

Note 10 – Pensions and Other Postemployment Benefits (Continued)

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

<p>ASRS 3300 North Central Avenue P.O. Box 33910 Phoenix, AZ 85067-3910 (602) 240-2000 or 1-800-621-3778</p>	<p>PSPRS, CORP, and EORP 3010 East Camelback Road, Suite 200 Phoenix, AZ 85016-4416 (602) 255-5575</p>
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Funding Policy—The Arizona State Legislature establishes and may amend active plan members’ and the County’s contribution rates for the ASRS, PSPRS, CORP, and EORP.

Cost-sharing plans—For the year ended June 30, 2012, active ASRS members were required by statute to contribute at the actuarially determined rate of 10.74 percent (10.5 percent for retirement and 0.24 percent for long-term disability) of the members’ annual covered payroll and the County was required by statute to contribute at the actuarially determined rate of 10.74 percent (9.85 percent for retirement, 0.65 percent for health insurance premium, and 0.24 percent for long-term disability) of the members’ annual covered payroll.

The County’s contributions for the current and two preceding years, all of which were equal to the required contributions, were as follows:

Arizona State Retirement System Last Three Fiscal years			
	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
Years Ended June 30,			
2012	\$ 1,620,955	\$ 106,967	\$ 39,495
2011	1,339,305	87,701	37,162
2010	1,481,953	117,277	71,077

Gila County
Notes to Financial Statements
June 30, 2012

Note 10 – Pensions and Other Postemployment Benefits (Continued)

Agent plans—For the year ended June 30, 2012, active PSPRS members were required by statute to contribute 8.65 percent of the members' annual covered payroll and the County was required to contribute 21.43 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 1.60 percent of covered payroll. Active CORP members were required by statute to contribute 8.41 percent of the members' annual covered payroll and the County was required to contribute 5.62 percent for the County corrections officers and 6.46 percent for the County dispatchers. The aggregate of these members' and the County contributions is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 1.32 percent and 0.80 percent of covered payroll for the County corrections officers and dispatchers, respectively. Active EORP members were required by statute to contribute 10.00 percent of the members' annual covered payroll; and the County was required to remit a designated portion of certain court fees, plus additional contributions at the actuarially determined rate of 32.99 percent. The health insurance premium portion of the contribution rate was actuarially set at 1.79 percent of covered payroll. The health insurance contribution rates reported include both the actuarially determined rates for normal cost and for the amortization of the unfunded accrued liability for health insurance.

Actuarial methods and assumptions—The contribution requirements for the year ended June 30, 2012, were established by the June 30, 2010, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Gila County
Notes to Financial Statements
June 30, 2012

Note 10 – Pensions and Other Postemployment Benefits (Continued)

Projections of benefits are based on 1) the plans as understood by the County and plans' members and include the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between the County and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2012 contribution requirements, are as follows:

Actuarial valuation date	June 30, 2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	26 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases	5.50% – 8.50% for PSPRS and CORP; 5.00% for EORP
Includes inflation at	5.50% for PSPRS and CORP; 5.00% for EORP

Annual Pension/OPEB Cost—The County's pension/OPEB cost for the agent plans for the year ended June 30, 2012, and related information follows:

	PSPRS		CORP (Corrections Officers)		CORP (Dispatchers)		EORP	
	Pension	Health Insurance	Pension	Health Insurance	Pension	Health Insurance	Pension	Health Insurance
Annual Pension/ OPEB Cost	\$ 471,412	\$ 38,036	\$ 108,563	\$ 33,326	\$ 45,762	\$ 6,468	\$ 202,909	\$ 11,641
Contributions Made	474,975	34,473	114,277	27,612	47,850	4,380	202,909	11,641

Gila County
Notes to Financial Statements
June 30, 2012

Note 10 – Pensions and Other Postemployment Benefits (Continued)

Trend Information—Annual pension cost and OPEB information for the current and two preceding years follows for each of the agent plans.

<u>Plan</u>	<u>Year Ended June 30</u>	<u>Annual Pension/OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net Pension/OPEB Obligation</u>
PSPRS				
Pension	2012	\$ 471,412	101%	\$ 3,563
Health Insurance	2012	38,036	91%	(3,563)
Pension	2011	439,185	106%	24,682
Health Insurance	2011	36,967	33%	(24,682)
Pension	2010	422,009	104%	18,669
Health Insurance	2010	35,293	47%	(18,669)
CORP Corrections Officers				
Pension	2012	108,563	105%	5,714
Health Insurance	2012	33,326	83%	(5,714)
Pension	2011	96,772	128%	27,394
Health Insurance	2011	28,039	2%	(27,394)
Pension	2010	153,574	107%	11,106
Health Insurance	2010	16,637	33%	(11,106)
CORP Dispatchers				
Pension	2012	45,762	105%	2,088
Health Insurance	2012	6,468	68%	(2,088)
Pension	2011	49,134	113%	6,595
Health Insurance	2011	6,595	0%	(6,595)
Pension	2010	42,583	110%	4,155
Health Insurance	2010	7,555	45%	(4,155)
EORP				
Pension	2012	202,909	100%	
Health Insurance	2012	11,641	100%	
Pension	2011	167,413	100%	
Health Insurance	2011	6,714	100%	
Pension	2010	165,173	100%	
Health Insurance	2010	5,531	100%	

Funded Status – The funded status of the plans as of the most recent valuation date, June 30, 2012, along with the actuarial assumptions and methods used in those valuations follow. The EORP, by statute, is a cost-sharing plan. However, because of its statutory construction, in accordance with GASB Statement No. 43, paragraphs 5 and 41, the EORP is reported for such purposes as an agent multiple-employer plan. The Board of Trustees obtains an actuarial valuation for the EORP on its statutory basis as a cost-sharing plan and, therefore, actuarial information for the County, as a participating government, is not available.

Gila County
Notes to Financial Statements
June 30, 2012

Note 10 – Pensions and Other Postemployment Benefits (Continued)

The funded status of the plans as of the most recent valuation date, June 30, 2012, is as follows:

	(In Millions)					
	PSPRS		CORP (Corrections Officers)		CORP (Dispatchers)	
	Pension	Health Insurance	Pension	Health Insurance	Pension	Health Insurance
Actuarial accrued liability (a)	\$ 13.1	\$ 0.3	\$ 3.5	\$ 0.2	\$ 1.7	\$ 0.0
Actuarial value of assets (b)	7.0	-	3.4	-	1.4	-
Unfunded actuarial accrued liability (funding excess) (a)-(b)	6.1	0.3	0.1	0.2	0.3	0.0
Funded ratio (b) / (a)	53.5%	0.0%	96.3%	0.0%	84.9%	0.0%
Covered payroll (c)	\$ 1.7	\$ 1.7	\$ 2.3	\$ 2.3	\$ 0.4	\$ 0.4
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll([(a)-(b)] / (c))	360.3%	19.8%	5.8%	7.9%	68.1%	12.1%

The actuarial methods and assumptions used are the same for all plans and related benefits, and for the most recent valuation date, are as follows:

Actuarial valuation date	June 30, 2012
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	24 years for underfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-Year smoothed market value
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	5.00% – 9.00% for PSPRS, 5.00% -8.25% for CORP; 4.75% for EORP
Includes inflation at	5.00% for PSPRS and CORP; 4.50% for EORP

Gila County
Notes to Financial Statements
June 30, 2012

Note 11 – Interfund Balances and Activity

Interfund receivables and payables – Interfund balances at June 30, 2012, were as follows:

Payable From	Payable To
	General Fund
Public Works Fund	\$ 36,174
Nonmajor Governmental Funds	59,582
Landfill Fund	5,617
Total	\$ 101,373

Interfund balances resulted from time lags between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, and (2) payments between funds are made. Also, interfund balances are recorded to eliminate deficit cash balances at year-end. All interfund balances are expected to be paid in one year.

Interfund transfers – Interfund transfers for the year ended June 30, 2012, were as follows:

Transfer From	Transfer To		
	General Fund	Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ 356,716	\$ 356,716
Public Works Fund	621,734	-	621,734
Nonmajor Governmental Funds	841	-	841
Landfill Fund	113,982	-	113,982
Total	\$ 736,557	\$ 356,716	\$ 1,093,273

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (3) transfer indirect cost reimbursements to the general fund.

Gila County
Notes to Financial Statements
June 30, 2012

Note 12 – Condensed Financial Statements of 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.

A majority of all deposits and investments of the County’s primary government are included in the County Treasurer’s investment pool, except for \$1,725 of cash on hand, \$172,355 of deposits, \$4,742,591 of restricted cash, and \$1,339,658 of U.S. Treasury money market funds. Therefore, the deposit and investment risks of the Treasurer’s investment pool are substantially the same as the County’s deposit and investment risks disclosed in Note 3.

Details of each investment classification follow:

Investment Type	Principal	Interest Rates	Maturities	Fair Value
U.S. Agency Securities	\$ 47,673,194	0.54-1.125%	9/14/2012-4/30/15	\$ 48,234,161
Corporation Obligations	17,610,484	1.46-4.35%	10/22/12-10/31/14	17,677,618
U.S. Treasury Note	1,500,000	2.19%	12/15/2013	1,509,609
	<u>\$ 66,783,678</u>			<u>\$ 67,421,388</u>

Gila County
Notes to Financial Statements
June 30, 2012

**Note 12 – Condensed Financial Statements of County Treasurer’s Investment Pool
(Continued)**

A condensed statement of the investment pool’s net assets and changes in net assets follows:

Statement of Net Assets	
Assets	\$ 78,222,883
Net assets Held in Trust for:	
Internal participants	41,452,304
External participants	36,770,579
Total Net Assets Held in Trust	\$ 78,222,883
Statement of Changes in Net Assets	
Total Additions	\$ 216,332,715
Total Deductions	214,168,719
Net Increase	2,163,996
Net Assets Held in Trust, July 1, 2011	76,058,887
Net Assets Held in Trust, June 30, 2012	\$ 78,222,883

Note 13 – Contingent Liabilities

The County has outstanding claims against the County; however, it is the opinion of the County’s legal counsel that none of the outstanding claims will have any material effect on the County’s future operations or the outcome of the current claims is not presently determinable.

Other Required Supplementary Information

Gila County
Required Supplementary Information
Schedule of Agent Retirement Plans' Funding Progress
June 30, 2012

Actuarial Valuation Date June 30,	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a) / c)
Public Safety Personnel Retirement System						
Pension						
2012	\$ 7,000,746	\$ 13,080,822	\$ 6,080,076	53.5%	\$ 1,687,594	360.3%
Health Insurance						
2012	-	334,353	334,353	0.0%	1,687,594	19.8%
Pension						
2011	7,008,504	11,881,450	4,872,946	59.0%	1,973,829	246.9%
Health Insurance						
2011	-	384,716	384,716	0.0%	1,973,829	19.5%
Pension						
2010	6,691,802	10,700,853	4,009,051	62.5%	2,135,860	187.7%
Health Insurance						
2010	-	335,302	335,302	0.0%	2,135,860	15.7%
Corrections Officers Retirement Plan - Corrections Officers						
Pension						
2012	\$ 3,396,424	\$ 3,528,734	\$ 132,310	96.3%	\$ 2,286,873	5.8%
Health Insurance						
2012	-	181,627	181,627	0.0%	2,286,873	7.9%
Pension						
2011	3,029,836	2,889,016	(140,820)	104.9%	2,269,235	N/A
Health Insurance						
2011	-	177,833	177,833	0.0%	2,269,235	7.8%
Pension						
2010	2,610,037	2,367,964	(242,073)	110.2%	2,268,346	N/A
Health Insurance						
2010	-	139,794	139,794	0.0%	2,268,346	6.2%
Corrections Officers Retirement Plan - Dispatchers						
Pension						
2012	\$ 1,426,850	\$ 1,680,481	\$ 253,631	84.9%	\$ 372,217	68.1%
Health Insurance						
2012	-	44,995	44,995	0.0%	372,217	12.1%
Pension						
2011	1,506,794	1,622,056	115,262	92.9%	581,593	19.8%
Health Insurance						
2011	-	66,135	66,135	0.0%	581,593	11.4%
Pension						
2010	1,358,329	1,440,064	81,735	94.3%	726,419	11.3%
Health Insurance						
2010	-	52,936	52,936	0.0%	726,419	7.3%

See accompanying notes to this Schedule.

Gila County
Required Supplementary Information
Note to Schedule of Agent Retirement Plans' Funding Progress
June 30, 2012

Note 1 – Actuarial Information Available

The EORP, by statute, is a cost-sharing plan. However, because of its statutory construction, in accordance with GASB Statement No. 43, paragraphs 5 and 41, the EORP is reported for such purposes as an agent multiple-employer plan. The Board of Trustees obtains an actuarial valuation for the EORP on its statutory basis as a cost-sharing plan and, therefore, actuarial information for the County, as a participating government, is not available.

Gila County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2012

	Original and Final Budget	Actual	Variance with Final Budget
Revenues:			
Taxes	\$ 24,071,520	\$ 25,065,512	\$ 993,992
Licenses and Permits	554,000	497,896	(56,104)
Intergovernmental	11,245,735	12,987,879	1,742,144
Charges for Services	1,899,578	2,210,195	310,617
Fines and Forfeitures	744,500	491,501	(252,999)
Donations and Contributions	-	2,500	2,500
Investment Income	81,646	126,784	45,138
Miscellaneous	914,224	303,814	(610,410)
Total Revenues	39,511,203	41,686,081	2,174,878
Expenditures:			
Current:			
General government			
Administrative Services	121,997	108,298	13,699
Assessor	1,063,477	1,022,338	41,139
Board of Supervisors	4,393,301	1,107,132	3,286,169
Community Development	1,348,111	1,249,498	98,613
Computer Services	711,351	676,335	35,016
Constituent Services	300,000	236,259	63,741
Elections	693,708	383,493	310,215
Facilities Management	1,846,977	1,398,929	448,048
Finance	777,566	774,773	2,793
General Administration	4,250,550	681,252	3,569,298
Personnel	300,662	336,393	(35,731)
Professional Services	626,500	338,161	288,339
Purchasing	99,645	107,034	(7,389)
Recorder	1,058,896	631,179	427,717
Rural Addressing	113,320	96,410	16,910
Treasurer	551,097	528,212	22,885
Contingency Reserve	6,100,000	-	6,100,000
Judicial Services			
County Attorney	4,202,200	2,412,765	1,789,435
County Attorney - Child Support	958,689	733,996	224,693
Constable - Globe	114,108	107,440	6,668
Constable - Payson	232,851	217,088	15,763
Justice Court - Globe	757,595	608,050	149,545
Justice Court - Payson	588,009	533,643	54,366
Indigent Legal Defense	1,283,290	1,096,284	187,006
Clerk of the Superior Court	1,326,148	1,161,865	164,283
Superior Court - Division I	264,069	243,365	20,704
Superior Court - Division II	241,165	239,303	1,862
Superior Court - General	1,079,907	798,461	281,446
Court System Multi-information Systems	387,646	317,946	69,700
Law Library	100,062	100,001	61
Conciliation Court Fund	80,410	78,062	2,348
Total General Government	35,973,307	18,323,965	17,649,342

The Notes to the Budgetary Comparison Schedules are an integral part of this schedule.

Gila County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Public Safety			
County Sheriff	\$ 11,037,568	\$ 9,976,375	\$ 1,061,193
County Sheriff - Facilities Management	324,873	320,314	4,559
Emergency Services	667,046	400,100	266,946
Flood Plain Management	198,925	179,814	19,111
Juvenile Detention	1,389,804	1,217,706	172,098
Probation	1,867,344	1,215,977	651,367
Total Public Safety	<u>15,485,560</u>	<u>13,310,286</u>	<u>2,175,274</u>
Health	1,333,240	1,352,314	(19,074)
Welfare			
AHCCCS Contributions	3,526,800	3,651,129	(124,329)
Indigent Health	25,000	-	25,000
Community Agencies	164,500	145,500	19,000
Public Fiduciary	424,728	365,363	59,365
Total Welfare	<u>4,141,028</u>	<u>4,161,992</u>	<u>(20,964)</u>
Culture and Recreation			
Fairgrounds	275,445	252,579	22,866
Education			
	411,775	1,942,503	(1,530,728)
Capital Outlay			
	1,754,296	1,397,355	356,941
Debt Service:			
Principal Retirement	305,000	324,764	(19,764)
Interest and Fiscal Charges	323,150	321,428	1,722
Total Debt Service	<u>628,150</u>	<u>646,192</u>	<u>(18,042)</u>
Total Expenditures	<u>60,002,801</u>	<u>41,387,186</u>	<u>18,615,615</u>
Excess of Revenues Over (Under) Expenditures	(20,491,598)	298,895	20,790,493
Other Financing Sources (Uses)			
Proceeds from Capital Leases	-	90,514	90,514
Transfers In	2,300,000	736,557	(1,563,443)
Transfers Out	(2,705,428)	(356,716)	2,348,712
Net Other Financing Sources (Uses)	<u>(405,428)</u>	<u>470,355</u>	<u>875,783</u>
Net Change in Fund Balances	(20,897,026)	769,250	21,666,276
Fund Balances, Beginning of Year	20,897,026	24,610,525	3,713,499
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ 25,379,775</u>	<u>\$ 25,379,775</u>

The Notes to the Budgetary Comparison Schedules are an integral part of this schedule.

Gila County
Required Supplementary Information
Budgetary Comparison Schedule
Public Works Fund
Year Ended June 30, 2012

	Original and Final Budget	Actual	Variance with Final Budget
Revenues:			
Taxes	\$ 2,818,450	\$ 2,879,485	\$ 61,035
Licenses and Permits	-	1,725	1,725
Intergovernmental	4,526,781	4,076,324	(450,457)
Charges for Services	72,114	85,953	13,839
Investment Income	28,000	50,742	22,742
Miscellaneous	19,400	29,666	10,266
Total Revenues	7,464,745	7,123,895	(340,850)
Expenditures:			
Current:			
Highways and Streets			
Administrative Services	620,537	606,012	14,525
Engineering Services	6,221,355	1,431,944	4,789,411
Survey Department	201,215	179,945	21,270
Road Maintenance and Repair	2,630,288	2,621,025	9,263
Maintenance Shops	1,001,774	976,947	24,827
Total Highways and Streets	10,675,169	5,815,873	4,859,296
Capital Outlay	2,407,500	666,698	1,740,802
Total Expenditures	13,082,669	6,482,571	6,600,098
Excess of Revenues Over (Under) Expenditures	(5,617,924)	641,324	6,259,248
Other Financing Sources (Uses):			
Transfers Out	-	(621,734)	(621,734)
Net Change in Fund Balances	(5,617,924)	19,590	5,637,514
Fund Balances, Beginning of Year	5,617,924	8,666,308	3,048,384
Fund Balances, End of Year	\$ -	\$ 8,685,898	\$ 8,685,898

The Notes to the Budgetary Comparison Schedules are an integral part of this schedule.

Gila County
Required Supplementary Information
Notes to the Budgetary Comparison Schedules
June 30, 2012

Note 1 - Budgeting and Budgetary Control

Arizona Revised Statutes (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 approval of the Board of Supervisors.

Note 2 – Expenditures in Excess of Appropriations

For the year ended June 30, 2012, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

Fund/Department	Excess
General Fund:	
Personnel	\$ 35,731
Purchasing	7,389
Health	19,074
AHCCCS Contributions	124,329
Education	1,530,728
Debt Service	18,042

These amounts are due to unanticipated expenditures and departments exceeding the budget. The Finance Department will continue to work with departments to improve the accuracy of the budget and improve budget control. Material unbudgeted expenditures will be referred to the board of supervisors for approval of a budget transfer from contingency or other appropriate funds.