



Report of Independent Auditors and Financial  
Statements with Supplemental Information for

**Gila County**

June 30, 2013

**MOSS-ADAMS<sub>LLP</sub>**

Certified Public Accountants | Business Consultants

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## REPORT OF INDEPENDENT AUDITORS

The Auditor General of the State of Arizona

The Board of Supervisors  
of Gila County, Arizona

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gila County, Arizona (the "County"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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 from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gila County, Arizona, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12; the budget comparison schedules and related notes on pages 53 through 55; and the schedule of agent retirement plans' funding progress and related notes on pages 51-52 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 management's discussion and analysis and the schedule of agent retirement plans' funding progress described in the preceding paragraph 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The budgetary comparison schedules described above are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Compliance Over the Use of Highway User Revenue Fund and Other Dedicated State Transportation Revenue Monies*

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2016 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

*Moss Adams LLP*

Scottsdale, Arizona  
August 5, 2016

## **GILA COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2013. 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 \$70,301,201 (net position). Of this amount, \$26,615,619 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors, \$17,583,086 is restricted for specific purposes (restricted net position), and \$26,102,496 is the net investment in capital assets.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$41,549,815, a decrease of \$150,052 in comparison with the prior year's balance of \$41,699,867.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$24,606,762 or 61% of total General Fund expenditures.

### **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 position presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows (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.

## **GILA COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

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.

**GILA COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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.

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 51 through 56 of this report.

**Government-wide Financial Analysis**

**Statement of net position** – As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the fiscal year, the County's assets exceeded liabilities by \$70,301,201.

Condensed Statement of Net Position  
(in thousands)  
June 30, 2013 and 2012

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 46,070	\$ 47,280	\$ 7,031	\$ 6,419	\$ 53,101	\$ 53,699
Capital assets	29,634	28,602	3,623	3,784	33,257	32,386
Total assets	75,704	75,882	10,654	10,203	86,358	86,085
Current liabilities	5,470	4,214	81	46	5,551	4,260
Long-term liabilities	7,151	8,855	3,355	2,702	10,506	11,557
Total liabilities	12,621	13,069	3,436	2,748	16,057	15,817
Net position						
Net investment in capital assets	22,483	22,004	3,619	3,752	26,102	25,756
Restricted	16,196	18,232	1,387	2,096	17,583	20,328
Unrestricted	24,404	22,577	2,212	1,607	26,616	24,184
Total net position	\$ 63,083	\$ 62,813	\$ 7,218	\$ 7,455	\$ 70,301	\$ 70,268

## **GILA COUNTY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The largest portion of Gila County's net position is unrestricted. Unrestricted net position of \$26,615,619 or 38% may be used to meet Gila County's ongoing obligations to citizens and creditors. The second largest portion is \$26,102,496 or 37% of the total net position 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 position for the government as a whole.

The following provides an explanation of governmental activities, assets that changed significantly over the prior year:

- Current and other assets – the net decrease of \$1.2 million was primarily due to the spending of pledged revenue obligations proceeds of \$1.3 million held by trustee at June 30, 2012, for the construction projects.
- Noncurrent assets – the net increase of \$1 million was mainly due to the additions of capital assets as mentioned above.

The following provides an explanation of business-type activities, long-term liabilities that changed significantly over the prior year:

- Long-term liabilities – the net increase of \$653,000 was primarily due to an increase in the landfill closure and post closure care costs payable.

**Statement of activities** – Already noted was the statement of activities purpose in presenting how the government's net position changed during the current fiscal year. For the fiscal year, net position increased by \$33,853. The following table presents the changes in net position.

**GILA COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Changes in Net Position  
(in thousands)  
Years Ended June 30, 2013 and 2012

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for services	\$ 3,454	\$ 3,640	\$ 1,615	\$ 1,516	\$ 5,069	\$ 5,156
Grants and contributions	17,546	20,105	-	-	17,546	20,105
<b>General Revenues</b>						
Property taxes	22,122	23,166	-	-	22,122	23,166
County sales tax	5,905	5,659	-	-	5,905	5,659
Share of state sales tax	4,456	4,689	-	-	4,456	4,689
Shared revenue, state vehicle license tax	2,228	1,622	-	-	2,228	1,622
Shared revenue, state liquor license tax	17	-	-	-	17	-
Payments in lieu of taxes	3,392	3,459	-	-	3,392	3,459
Grants and contributions not restricted to specific programs	-	50	-	-	-	50
Investment income	101	213	-	20	101	233
Miscellaneous	1,207	590	-	-	1,207	590
<b>Total revenues</b>	<b>60,428</b>	<b>63,193</b>	<b>1,615</b>	<b>1,536</b>	<b>62,043</b>	<b>64,729</b>
<b>Expenses</b>						
General government	20,025	19,741	-	-	20,025	19,741
Public safety	15,785	16,528	-	-	15,785	16,528
Highways and streets	7,648	10,014	-	-	7,648	10,014
Health	2,491	1,136	-	-	2,491	1,136
Welfare	8,256	10,742	-	-	8,256	10,742
Sanitation	43	98	1,851	976	1,894	1,074
Culture and recreation	1,554	1,491	-	-	1,554	1,491
Education	4,041	4,249	-	-	4,041	4,249
Interest on long-term debt	315	326	-	-	315	326
<b>Total expenses</b>	<b>60,158</b>	<b>64,325</b>	<b>1,851</b>	<b>976</b>	<b>62,009</b>	<b>65,301</b>
Change in net position before transfers	270	(1,132)	(236)	560	34	(572)
Transfers	-	114	-	(114)	-	-
<b>Change in net position</b>	<b>270</b>	<b>(1,018)</b>	<b>(236)</b>	<b>446</b>	<b>34</b>	<b>(572)</b>
NET POSITION, beginning of the year	62,813	63,831	7,455	7,009	70,268	70,840
NET POSITION, end of the year	\$ 63,083	\$ 62,813	\$ 7,219	\$ 7,455	\$ 70,302	\$ 70,268

**Revenues** – Governmental activities revenues totaled \$60.4 million for fiscal year 2013 which was a decrease of over 4% 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 decrease in property taxes was due to decreased property tax assessed valuations and a decrease in the current year levy.

Charges for services, County sales tax, state sales tax, and payments in lieu of taxes remained relatively stable as compared to the prior year, with small changes in each line item.

State vehicle license tax and miscellaneous revenue increased significantly as compared to the prior year largely due to the results of a recovering economy.

## **GILA COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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 \$60.2 million for fiscal year 2013, which represents a decrease of 6.5% 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.

Business-type activities' expenses increased largely due to the expense of the landfill closure and post closure care costs. In the prior year, the County reduced \$61 thousand in expenses for landfill closure and post closure care costs; however, in the current year, the liability was increased by \$710 thousand due to some changes in estimates related to the closure and post closure care costs, accounting for the \$710 thousand increase 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 \$41,549,815, a decrease of \$150,052 in comparison with the prior year's balance of \$41,699,867.

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 \$26,284,699, an increase of approximately 4% over the prior year's balance of \$25,379,775. 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 2013 budget reduction and reductions of various grant funding. The County reduced the 2013 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.

Overall, Public Works Fund current year revenues remained relatively unchanged from the prior year. However, Public Works Fund current year expenditures increased by \$2.4 million. This overall increase was a result of the two large road construction projects, the Russell Road Turn Lanes and Wall at the new public works complex in Globe, and the Pine Creek Canyon reconstruction road project in Pine.

**Proprietary Fund** – The Landfill Fund reported a decrease in net position of \$236,261. The decrease was largely due to an increase in landfill closure and post closure care costs in fiscal year 2013.

## GILA COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

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**General Fund budgetary highlights** – The General Fund had budgeted expenditures before other financing sources and uses of \$58,809,435. Overall, actual General Fund expenditures were under budget by \$18,278,115. The County had budgeted \$10,333,919 for reserves and contingencies, none of which was spent during the current fiscal year, accounting for 57 percent of expenditures under budget. The Education department (School Superintendent) had budgeted expenditures of \$433,541 while actual expenditures of \$1,831,715 were over budget due to not budgeting for the grants passed through to subrecipients (school districts). 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 \$38,292,117. Revenues exceeded budget by \$3,174,371.

The significant County departments and other budgeted line items over budget are Board of Supervisors \$30,327, General Administration \$122,950, Fairgrounds \$6,323, and School Superintendent \$1,413,174. The County will strive to improve its budgeting procedures and control in the future.

Significant line items that were less than budget represent: County Attorney \$1,909,904, County Sheriff \$940,631, Professional Services \$474,000, Superior Court – General \$445,466, Recorder \$416,140, and Probation \$629,930. 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** include land, construction in progress, buildings, machinery and equipment, and infrastructure assets (roads, highways, bridges, etc.). The County's total capital assets increased by a net of \$872,051 during the current fiscal year in comparison with the prior year's balance of \$32,385,512. The net increase was a result of acquisition of machinery and equipment of \$627,444 and construction of buildings and infrastructure of \$2,977,427, and the accumulated depreciation of \$2,732,820 on these assets added in fiscal year 2013.

The County's investment in capital assets for its governmental activities as of June 30, 2013, amounts to \$29,633,964 (net of accumulated depreciation), a net increase of 4% from the prior year.

The County's investment in capital assets for its business-type activities as of June 30, 2013, amounts to \$3,623,599 (net of accumulated depreciation), a net decrease of 4% from the prior year.

Major capital asset activity during the fiscal year included:

#### **Governmental Activities:**

- During the fiscal year 2013, the County transferred \$1.2 million from construction in progress to infrastructure for the completion of road and bridge construction projects.
- As of June 30, 2013, construction in progress amounted to \$1.4 million. The more significant of the construction projects include the Tonto Creek Bridge, Pine Creek Canyon Road Reconstruction Project, and the Russell Road Reconstruction project.

## GILA COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

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- Acquisition of \$627 thousand in machinery and equipment.
- Completion of construction projects of \$90 thousand in buildings and \$766 thousand in infrastructure.
- Accumulated depreciation of \$2,572,427 added in fiscal year 2013.

The following table provides a breakdown of the County's capital assets as of June 30, 2013 and 2012.

Capital Assets at Year-End  
(Net of Accumulated Depreciation)  
(in thousands)  
June 30, 2013 and 2012

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 1,237	\$ 1,237	\$ 3,000	\$ 3,000	\$ 4,237	\$ 4,237
Construction in progress	1,352	385	-	-	1,352	385
Buildings	12,533	12,956	-	-	12,533	12,956
Improvements other than buildings	740	786	-	-	740	786
Machinery and equipment	4,311	5,171	585	737	4,896	5,908
Infrastructure	9,461	8,068	39	47	9,500	8,115
Total capital assets, net	<u>\$ 29,634</u>	<u>\$ 28,603</u>	<u>\$ 3,624</u>	<u>\$ 3,784</u>	<u>\$ 33,258</u>	<u>\$ 32,387</u>

Additional information on the County's capital assets can be found in Note 5 on pages 35 through 37 of this report.

**Long-term debt** – The County's total long-term liabilities increased by a net of \$193,665 during the current fiscal year in comparison with the prior year's balance of \$11,557,328. The net increase was a result of regular scheduled principal and interest payments of \$349,837, a net decrease of \$165,691 of compensated absences payable, and an increase in landfill closure and post closure care costs payable of \$709,193.

Major long-term debt activity during the fiscal year included:

Governmental Activities:

At the end of the current fiscal year, the County had total pledged revenue obligations outstanding of \$6,895,000 (excluding the premium on the bonds). This outstanding balance consists of series 2009 pledged revenue refunding obligations of \$980,000 to refund the outstanding 1999 series certificates of participation and series 2009 pledged revenue obligations of \$5,915,000 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 \$3,355,350 and an equipment lease in the amount of \$4,170.

**Economic Factors and Next Year's Budgets and Rates**

The unemployment rate for Gila County is 9.8 percent at June 2013 which is higher than the previous year's rate of 8.2 percent. This compares to the state unemployment rate of 8.3 percent. There is also a decrease in property assessed valuations with no change in tax rate for the fiscal year 2013-14. These economic factors were considered in preparing the County's budget for this fiscal year 2013-14.

**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

**GILA COUNTY**  
**STATEMENT OF NET POSITION**

	<b>ASSETS</b>		
	June 30, 2013		
	Primary Government		Total
Governmental Activities	Business-Type Activities		
Cash and investments	\$ 41,057,349	\$ 2,158,774	\$ 43,216,123
Receivables (net of allowances for uncollectibles):			
Property taxes	836,000	-	836,000
Accounts	281,383	129,331	410,714
Due from other governments	3,423,633	-	3,423,633
Prepaid item	172,546	-	172,546
Inventory	31,803	-	31,803
Restricted cash	-	4,742,591	4,742,591
Deferred charges	267,743	-	267,743
Capital assets, net			
Nondepreciable	2,589,223	3,000,000	5,589,223
Depreciable	27,044,741	623,599	27,668,340
Total assets	<u>\$ 75,704,421</u>	<u>\$ 10,654,295</u>	<u>\$ 86,358,716</u>
<b>LIABILITIES AND NET POSITION</b>			
Accounts payable	\$ 2,503,828	\$ 30,007	\$ 2,533,835
Accrued payroll and employee benefits	1,749,071	23,616	1,772,687
Compensated absences	1,217,713	22,863	1,240,576
Noncurrent liabilities			
Due within one year	310,000	4,170	314,170
Due in more than one year	6,840,897	3,355,350	10,196,247
Total liabilities	<u>12,621,509</u>	<u>3,436,006</u>	<u>16,057,515</u>
NET POSITION			
Net investment in capital assets	22,483,067	3,619,429	26,102,496
Restricted for:			
Public safety	1,346,347	-	1,346,347
Highways and streets	7,224,898	-	7,224,898
Health	240,176	-	240,176
Welfare	886,270	-	886,270
Sanitation	117,173	-	117,173
Education	1,966,446	-	1,966,446
Housing	97,769	-	97,769
Library	698,604	-	698,604
Judicial services	2,898,099	-	2,898,099
Capital projects	223,043	-	223,043
Debt service	326,366	-	326,366
Other	170,654	-	170,654
Landfill closure and post closure care costs	-	1,387,241	1,387,241
Unrestricted	24,404,000	2,211,619	26,615,619
Total net position	<u>\$ 63,082,912</u>	<u>\$ 7,218,289</u>	<u>\$ 70,301,201</u>

# GILA COUNTY

## STATEMENT OF ACTIVITIES

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General government	\$ 20,024,651	\$ 1,835,063	\$ 1,925,065	\$ -	\$ (16,264,523)	\$ -	\$ (16,264,523)
Public safety	15,785,047	660,726	3,022,027	3,217,028	(8,885,266)	-	(8,885,266)
Highways and streets	7,648,649	584,890	186,590	-	(6,877,169)	-	(6,877,169)
Health	2,490,888	222,861	1,323,326	-	(944,701)	-	(944,701)
Welfare	8,256,214	90,666	4,165,686	-	(3,999,862)	-	(3,999,862)
Sanitation	42,974	-	-	-	(42,974)	-	(42,974)
Culture and recreation	1,554,579	-	-	-	(1,554,579)	-	(1,554,579)
Education	4,040,950	13,176	-	-	(4,027,774)	-	(4,027,774)
Interest and fiscal charges	314,175	46,469	3,706,304	-	3,438,598	-	3,438,598
Total governmental activities	60,158,127	3,453,851	14,328,998	3,217,028	(39,158,250)	-	(39,158,250)
<b>Business-Type Activities</b>							
Landfill	1,851,326	1,615,065	-	-	-	(236,261)	(236,261)
Total primary government	\$ 62,009,453	\$ 5,068,916	\$ 14,328,998	\$ 3,217,028	\$ (39,158,250)	\$ (236,261)	\$ (39,394,511)
<b>General Revenues</b>							
Taxes							
Property taxes, levied for general purposes					\$ 21,123,922	\$ -	\$ 21,123,922
Property taxes, levied for street lighting districts					49,632	-	49,632
Property taxes, levied for library district					948,904	-	948,904
County general and transportation sales tax					5,904,939	-	5,904,939
Share of state sales tax					4,456,480	-	4,456,480
Shared revenue, state vehicle license tax					2,228,128	-	2,228,128
Shared revenue, state liquor license tax					16,938	-	16,938
Payments in lieu of taxes					3,391,781	-	3,391,781
Investment income					101,130	-	101,130
Miscellaneous					1,206,510	-	1,206,510
Total general revenues and transfers					39,428,364	-	39,428,364
Change in net position					270,114	(236,261)	33,853
Net position, July 1, 2012					62,812,798	7,454,550	70,267,348
Net position, June 30, 2013					\$ 63,082,912	\$ 7,218,289	\$ 70,301,201

**GILA COUNTY  
BALANCE SHEET**

	June 30, 2013			
	General Fund	Public Works Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 26,790,334	\$ 6,976,494	\$ 7,290,521	\$ 41,057,349
Receivables (net of allowances for uncollectibles):				
Accounts	80,396	-	200,987	281,383
Property taxes	836,000	-	-	836,000
Due from:				
Other funds	-	-	64,506	64,506
Other governments	1,355,681	736,779	1,331,173	3,423,633
Prepaid item	172,526	-	20	172,546
Inventory	-	31,803	-	31,803
<b>Total assets</b>	<b>\$ 29,234,937</b>	<b>\$ 7,745,076</b>	<b>\$ 8,887,207</b>	<b>\$ 45,867,220</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 1,310,411	\$ 581,994	\$ 611,423	\$ 2,503,828
Accrued payroll and employee benefits	1,575,321	145,046	28,704	1,749,071
Due to other funds	64,506	-	-	64,506
<b>Total liabilities</b>	<b>2,950,238</b>	<b>727,040</b>	<b>640,127</b>	<b>4,317,405</b>
<b>Fund Balances</b>				
Nonspendable	172,526	31,803	20	204,349
Restricted	1,505,411	6,986,233	8,571,859	17,063,503
Unassigned	24,606,762	-	(324,799)	24,281,963
<b>Total fund balances</b>	<b>26,284,699</b>	<b>7,018,036</b>	<b>8,247,080</b>	<b>41,549,815</b>
<b>Total liabilities and fund balances</b>	<b>\$ 29,234,937</b>	<b>\$ 7,745,076</b>	<b>\$ 8,887,207</b>	<b>\$ 45,867,220</b>

**GILA COUNTY**

**RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION**

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	June 30, 2013
Total fund balance for governmental funds	<u>\$ 41,549,815</u>
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	29,633,964
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.	<u>(8,368,610)</u>
Net position of governmental activities	<u><u>\$ 63,082,912</u></u>

**GILA COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES GOVERNMENTAL FUNDS**

	Year Ended June 30, 2013			
	General Fund	Public Works Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 24,812,225	\$ 3,005,463	\$ 1,040,969	\$ 28,858,657
Licenses and permits	500,502	2,330	-	502,832
Intergovernmental	12,719,944	4,087,571	9,818,560	26,626,075
Charges for services	1,919,497	283,825	241,644	2,444,966
Fines and forfeitures	506,053	-	-	506,053
Donations and contributions	-	-	828,101	828,101
Investment income	68,041	18,611	14,478	101,130
Miscellaneous	940,226	27,843	675,527	1,643,596
<b>Total revenue</b>	<b>41,466,488</b>	<b>7,425,643</b>	<b>12,619,279</b>	<b>61,511,410</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	17,741,885	-	574,785	18,316,670
Public safety	12,940,690	-	2,339,833	15,280,523
Highway and streets	-	6,444,122	180,162	6,624,284
Health	1,128,169	-	1,312,135	2,440,304
Welfare	3,944,238	-	4,272,933	8,217,171
Culture and recreation	262,752	-	1,235,594	1,498,346
Education	1,831,715	-	2,204,545	4,036,260
Sanitation	-	-	4,269	4,269
<b>Debt service:</b>				
Principal retirement	310,000	-	-	310,000
Interest	309,997	-	-	309,997
Capital outlay	2,061,874	2,407,864	153,900	4,623,638
<b>Total expenditures</b>	<b>40,531,320</b>	<b>8,851,986</b>	<b>12,278,156</b>	<b>61,661,462</b>
Excess of revenues over (under) expenditures	935,168	(1,426,343)	341,123	(150,052)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	241,519	-	271,763	513,282
Transfers out	(271,763)	(241,519)	-	(513,282)
<b>Total other financing sources (uses)</b>	<b>(30,244)</b>	<b>(241,519)</b>	<b>271,763</b>	<b>-</b>
Net change in fund balances	904,924	(1,667,862)	612,886	(150,052)
FUND BALANCES, beginning of year	25,379,775	8,685,898	7,634,194	41,699,867
FUND BALANCES, end of year	\$ 26,284,699	\$ 7,018,036	\$ 8,247,080	\$ 41,549,815

**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, 2013	
Net change in fund balances - total governmental funds	\$	(150,052)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.</p>		
Capital outlay	3,604,872	
Depreciation expense	(2,572,427)	
		1,032,445
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount is the difference in the revenue recognized in the statement from the proceeds recorded as revenues in the governmental funds.</p>		
		(1,083,169)
<p>Issuance of long-term debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
Bond premium	11,572	
Bond issue costs	(15,750)	
Principal repaid	310,000	
		305,822
<p>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.</p>		
Decrease in compensated absences		165,068
Change in net position of governmental activities	\$	270,114

**GILA COUNTY**  
**STATEMENT OF NET POSITION PROPRIETARY FUNDS**

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<b>ASSETS</b>		June 30, 2013
		<u>Business-Type Activities Landfill</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents		\$ 2,158,774
Accounts receivable, net		<u>129,331</u>
Total current assets		<u>2,288,105</u>
<b>NONCURRENT ASSETS</b>		
Restricted cash and cash equivalents		4,742,591
Capital assets		
Nondepreciable		3,000,000
Depreciable (net)		<u>623,599</u>
Total noncurrent assets		<u>8,366,190</u>
Total assets		<u><u>\$ 10,654,295</u></u>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable		\$ 30,007
Accrued wages and benefits		23,616
Compensated absences		22,863
Capital leases payable		<u>4,170</u>
Total current liabilities		<u>80,656</u>
<b>NONCURRENT LIABILITIES</b>		
Landfill closure and post closure care costs payable		<u>3,355,350</u>
Total noncurrent liabilities		<u>3,355,350</u>
Total liabilities		<u>3,436,006</u>
<b>NET POSITION</b>		
Net investment in capital assets		3,619,429
Restricted for landfill closure and post closure care costs		1,387,241
Unrestricted		<u>2,211,619</u>
Total net position		<u><u>\$ 7,218,289</u></u>

**GILA COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET POSITION PROPRIETARY FUNDS**

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	Year Ended June 30, 2013
	Business-Type Activities Landfill
<b>OPERATING REVENUES</b>	
Charges for services	\$ 1,615,065
<b>OPERATING EXPENSES</b>	
Personal services and employee benefits	516,872
Professional services	75,449
Supplies	119,291
Utilities	15,440
Repairs and maintenance	101,131
Other	862,749
Depreciation	160,394
Total operating expenses	1,851,326
Change in net position	(236,261)
<b>NET POSITION</b>	
Beginning of year	7,454,550
End of year	\$ 7,218,289

**GILA COUNTY**  
**STATEMENT OF CASH FLOWS PROPRIETARY FUNDS**

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	Year Ended June 30, 2013
	<u>Business-Type Activities Landfill</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 1,584,395
Payments to suppliers	(458,001)
Payments to employees	<u>(517,194)</u>
Net cash provided by operating activities	<u>609,200</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Cash paid to other funds for interfund borrowing	<u>(5,617)</u>
Net cash used for noncapital financing activities	<u>(5,617)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal paid on capital lease	<u>(28,265)</u>
Net cash used for capital and related financing activities	<u>(28,265)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	575,318
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>6,326,047</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 6,901,365</u>
<b>Reconciliation of Operating Loss to Net Cash</b>	
Provided by Operating Activities	
Operating loss	\$ (236,261)
<b>Adjustments to Reconcile Operating Loss to Net Cash</b>	
Provided by Operating Activities	
Depreciation	160,394
<b>Change in Assets/Liabilities</b>	
Accounts receivable	(30,670)
Accounts payable	6,866
Accrued wages and benefits	301
Compensated absences	(623)
Landfill closure and post closure care costs payable	<u>709,193</u>
Net cash provided by operating activities	<u>\$ 609,200</u>

**GILA COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS**

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	June 30, 2013	
	Investment Trust Fund	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 643,818
Investments	35,373,260	-
Total assets	\$ 35,373,260	\$ 643,818
<b>LIABILITIES</b>		
Deposits held for others	\$ -	\$ 643,818
Total liabilities	-	\$ 643,818
<b>NET POSITION</b>		
Held in trust for investment trust participants	\$ 35,373,260	

**GILA COUNTY**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**

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	Year Ended June 30, 2013
	<u>Investment Trust Fund</u>
ADDITIONS	
Contributions from participants	\$ 97,958,253
Investment earnings	<u>150,680</u>
Total additions	98,108,933
DEDUCTIONS	
Distributions to participants	<u>99,506,252</u>
Change in net position	(1,397,319)
NET POSITION, July 1, 2012	<u>36,770,579</u>
NET POSITION, June 30, 2013	<u><u>\$ 35,373,260</u></u>

**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**

Gila County (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:

Component Unit	Description; Criteria for Inclusion	Reporting Method	For Separate Financial Statements
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 and County management has operational responsibilities for the component unit	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 and County management has operational responsibilities for the component unit	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

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### 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 position 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.

**Note 1 – Summary of Significant Accounting Policies (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 1/2 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**

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#### **Note 1 – Summary of Significant Accounting Policies (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 position 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.

#### **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.

**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, 2013, approximately 30 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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
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	5,000	Straight-line	7-50 years

**G. Net Position**

In the government-wide financial statements, net position are reported in three categories; net position invested in capital assets, net of related debt; restricted net position; and unrestricted net position. Net position 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 position. Restricted net position account for the portion of net position restricted by parties outside the County. Unrestricted net position are the remaining net position 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**

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#### **Note 1 – Summary of Significant Accounting Policies (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**

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**Note 1 – Summary of Significant Accounting Policies (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, 2013:

Fund	Deficit
WIA Stimulus	\$ (345,606)
Community Health Grant	(1,124)
Health Start Program	(7,874)
Prop 201 Smoke Free AZ Act	(12,851)
Healthy Steps	(7,865)
Marijuana Eradication	(5,392)
Homeland Security 10 Sheriff	(27,672)
Sheriff BLESF Program	(110,885)
Crime Victim Assistance Program	(11,483)
Adult Intensive Probation Supervision	(20,282)
State Aid Enhancement	(34,731)
Homeland Secty Grant GCSO FY13	(47,509)
Library District Grants	(12,592)
Facilities Management	(81,296)

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.

## **GILA COUNTY**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **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.

**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. 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, 2013, the carrying amount of the County's deposits was \$11,271,103.

**GILA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 3 – Deposits and Investments (continued)**

**Investments** – The County's investments at June 30, 2013, were as follows:

Investment Type	Amount
U.S. Agency Securities	\$ 52,939,409
Corporation Obligations	18,252,967
U.S. Treasury Note	1,504,453
	<u>\$ 72,696,829</u>

**Credit risk** – Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The County does not have a formal policy with respect to credit risk.

At June 30, 2013, credit risk for the County's investments was as follows:

Investment Type	Rating	Rating Agency	Amount
U.S. Agency Securities	Aaa	Moody's	\$ 52,939,409
Corporate Obligations	AA+	S&P	6,007,788
Corporate Obligations	A+	S&P	3,001,590
Corporate Obligations	A	S&P	2,005,692
Corporate Obligations	AA-	S&P	1,261,217
Corporate Obligations	AA	S&P	2,993,300
Corporate Obligations	A1	Moody's	2,983,380
U.S. Treasury Note	Aaa	Moody's	1,504,453
			<u>\$ 72,696,829</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.

**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.

**GILA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 3 - Deposits and Investments (continued)**

Five percent or more of the County's investments at June 30, 2013, were in debt securities of various U.S. agencies as follows:

U.S. Agency	Amount	Percent of County Investments
Federal Home Loan Bank System	\$ 10,316,323	14.2%
Federal Farm Credit Bank	9,793,307	13.5%
Federal National Mortgage Association	16,302,700	22.4%
Federal Home Loan Mortgage System	<u>16,527,079</u>	22.7%
	<u>\$ 52,939,409</u>	

**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.

Investment Type	Amount	Investment Maturities Less Than	
		1 Year	1-5 Years
U.S. Agency Securities	\$ 52,939,409	\$ 8,961,691	\$ 43,977,718
Corporate Obligations	18,252,967	8,015,802	10,237,165
U.S. Treasury Note	<u>1,504,453</u>	<u>1,504,453</u>	<u>-</u>
	<u>\$ 72,696,829</u>	<u>\$ 18,481,946</u>	<u>\$ 54,214,883</u>

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

Cash, Deposits, and Investments	
Cash on hand	\$ 7,860
Amount of deposits	11,271,103
Amount of investments	<u>72,696,829</u>
	<u>\$ 83,975,792</u>

**GILA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 3 – Deposits and Investments (continued)**

	Statement of Net Position		Statement of Fiduciary Net Position		Total
	Governmental Activities	Business-Type Activities	Investment Trust Fund	Agency Funds	
Cash and investments	\$ 41,057,349	\$ 2,158,774	\$ 35,373,260	\$ 643,818	\$ 79,233,201
Restricted cash	-	4,742,591	-	-	4,742,591
	<u>\$ 41,057,349</u>	<u>\$ 6,901,365</u>	<u>\$ 35,373,260</u>	<u>\$ 643,818</u>	<u>\$ 83,975,792</u>

Restricted cash represents monies set aside as part of the landfill line of credit agreement discussed further in Note 6 to the financial statements.

**Note 4 – Due from Other Governments**

Amounts due from other governments at June 30, 2013, in the statement of net position include \$609,939 in County excise and transportation tax, \$309,907 in Highway User Revenue, \$152,142 in state-shared sales tax, \$275,038 in auto lieu tax and license registration fees, \$296,267 in Workforce Investment Act grants, \$270,291 in State of Arizona receivables, \$254,961 due from the Town of Miami, Arizona, \$108,355 in Women, Infants, and Children (WIC) grants, and \$1,146,733 in reimbursements and charges for services due from various government agencies.

**GILA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 5 – Capital Assets**

Capital asset activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Increases	Decreases/ Reclassifications	Ending Balance
Governmental Activities				
Capital Assets, Net Being Depreciated				
Land	\$ 1,236,737	\$ -	\$ -	\$ 1,236,737
Construction in progress (estimated cost to complete \$1,115,000)	384,670	2,120,860	(1,153,044)	1,352,486
Total capital assets, net being depreciated	1,621,407	2,120,860	(1,153,044)	2,589,223
Capital Assets, Being Depreciated				
Buildings	26,859,855	90,409	-	26,950,264
Improvements other than buildings	1,067,752	-	-	1,067,752
Machinery and equipment	23,938,316	627,445	(196,083)	24,369,678
Infrastructure	15,038,538	766,158	1,153,044	16,957,740
Total capital assets, being depreciated	66,904,461	1,484,012	956,961	69,345,434
Accumulated Depreciation for				
Buildings	13,904,255	513,162	-	14,417,417
Improvements other than buildings	281,845	45,991	-	327,836
Machinery and equipment	18,767,421	1,486,921	(196,083)	20,058,259
Infrastructure	6,970,828	526,353	-	7,497,181
Total accumulated depreciation	39,924,349	2,572,427	(196,083)	42,300,693
Total capital assets, being depreciated, net	26,980,112	(1,088,415)	1,153,044	27,044,741
Governmental activities capital assets, net	<u>\$ 28,601,519</u>	<u>\$ 1,032,445</u>	<u>\$ -</u>	<u>\$ 29,633,964</u>

**GILA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 5 – Capital Assets (continued)**

Prior to 2013, the county tracked expenditures related to the design and engineering for a future road project. In 2013, it was determined that the project would not reach the construction phase.

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital Assets, Net 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	3,813,351	151,927	-	3,965,278
Infrastructure	122,101	8,467	-	130,568
Total accumulated depreciation	3,935,452	160,394	-	4,095,846
Total capital assets, being depreciated, net	783,993	(160,394)	-	623,599
Business-type activities capital assets, net	<u>\$ 3,783,993</u>	<u>\$ (160,394)</u>	<u>\$ -</u>	<u>\$ 3,623,599</u>

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 870,522
Public safety	504,421
Highways and streets	1,008,229
Health	50,584
Welfare	39,043
Sanitation	38,705
Culture and recreation	56,233
Education	4,690
	<u>\$ 2,572,427</u>
Business-Type Activities	
Landfill	<u>\$ 160,394</u>

**GILA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 5 – Capital Assets (continued)**

**Construction commitments** – The County has active construction projects as of June 30, 2013, with estimated costs to complete of \$1,115,000 of which the more significant of these projects includes the Tonto Creek Bridge, Pine Creek Canyon Road Reconstruction Project, and the Russell Road Reconstruction project. Funding will be provided from the prior year bond issues.

**Note 6 – Long-Term Liabilities**

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2013:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within 1 Year
Governmental Activities					
Series 2009 pledged revenue refunding obligations	\$ 1,025,000	\$ -	\$ (45,000)	\$ 980,000	\$ 45,000
Series 2009 pledged revenue obligations	6,180,000	-	(265,000)	5,915,000	265,000
Bond premium	196,719	-	(11,572)	185,147	-
Capital leases payable	70,750	-	-	70,750	-
Compensated absences payable	<u>1,382,781</u>	<u>1,756,425</u>	<u>(1,921,493)</u>	<u>1,217,713</u>	<u>1,200,000</u>
Governmental Activities Long-Term Liabilities	<u>\$ 8,855,250</u>	<u>\$ 1,756,425</u>	<u>\$ (2,243,065)</u>	<u>\$ 8,368,610</u>	<u>\$ 1,510,000</u>
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within 1 Year
Business-Type Activities					
Capital leases payable	\$ 32,435	\$ -	\$ (28,265)	\$ 4,170	\$ 4,170
Landfill closure and post closure care costs payable	2,646,157	709,193	-	3,355,350	-
Compensated absences payable	<u>23,486</u>	<u>23,258</u>	<u>(23,881)</u>	<u>22,863</u>	<u>22,800</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 2,702,078</u>	<u>\$ 732,451</u>	<u>\$ (52,146)</u>	<u>\$ 3,382,383</u>	<u>\$ 26,970</u>

**GILA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 6 – 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 \$620,000 and \$5,904,939, respectively.

Bonds payable at June 30, 2013, were as follows:

<u>Description</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2013</u>
Series 2009	3-5%	7/1/2013-2030	\$ 8,000,000	\$ 6,895,000

The following schedule details debt service requirements to maturity for the County's pledged revenue obligation bonds at June 30, 2013:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 310,000	\$ 300,700
2015	335,000	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>\$ 6,895,000</u>	<u>\$ 3,003,250</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, 2013, \$315,000 of the 1999 Series A certificates of participation remains and was considered defeased.

**GILA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 6 – Long-Term Liabilities (continued)**

The following schedule details debt service requirements to maturity for the County's capital leases payable at June 30, 2013:

Year Ending June 30	Governmental Activities	Business-Type Activities
2014	\$ 27,425	\$ 4,930
2015	27,425	-
2016	14,761	-
2017	9,381	-
	<hr/>	<hr/>
Total minimum lease payments	78,992	4,930
Less amount representing interest	8,242	760
	<hr/>	<hr/>
Present value of net minimum lease payments	<u>\$ 70,750</u>	<u>\$ 4,170</u>

**Landfill closure and post closure 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 post closure 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 post closure 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 \$3,355,350 reported as landfill closure and post closure care liability at June 30, 2013, represents the cumulative amount reported to date based on the approximate use of 38 percent of the estimated capacity of the Buckhead Mesa Landfill and 50 percent of the Russell Gulch Landfill. The County will recognize the remaining estimated cost of closure and post closure care of \$1,195,645 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care in fiscal year 2013.

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.

**Note 6 – Long-Term Liabilities (continued)**

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, post closure, 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 post closure care costs when the landfills are expected to close. The current balance is reported in the business-type activities statement of net position and the Proprietary Fund statement of net position as restricted cash. For fiscal year 2013, the County's annual payments to comply with this agreement was approximately \$250,000. 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 requires its employees to contribute a portion of that premium. If it withdraws from the Trust, the County is responsible for any claims run-out costs, including claims reported but not settled, claims incurred but not reported, and administrative costs. If the Trust were to terminate, the County would be responsible for its proportional share of any Trust deficit.

**Compensated absences** – During the year ended June 30, 2013, the County paid for compensated absences as follows: 55% from the General Fund, 10% from the Public Works Fund, 2% from the Landfill Fund, and 33% 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**

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**Note 7 – Fund Balance Classifications of the Governmental Funds**

The fund balance classifications of the governmental funds as of June 30, 2013, were as follows:

	General Fund	Public Works Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances				
Nonspendable				
Prepaid item	\$ 172,526	\$ -	\$ 20	\$ 172,546
Inventories	-	31,803	-	31,803
Total nonspendable	<u>172,526</u>	<u>31,803</u>	<u>20</u>	<u>204,349</u>
Restricted for				
Public safety	831,859	-	514,488	1,346,347
Highways and streets	-	6,986,233	19,193	7,005,426
Health	198,868	-	550,731	749,599
Welfare	-	-	886,270	886,270
Sanitation	-	-	117,173	117,173
Education	-	-	1,966,446	1,966,446
Housing	-	-	97,769	97,769
Library	-	-	698,604	698,604
Judicial services	148,318	-	2,749,781	2,898,099
Capital projects	-	-	549,388	549,388
Debt service	326,366	-	-	326,366
Other	-	-	422,016	422,016
Total restricted	<u>1,505,411</u>	<u>6,986,233</u>	<u>8,571,859</u>	<u>17,063,503</u>
Unassigned	<u>24,606,762</u>	<u>-</u>	<u>(324,799)</u>	<u>24,281,963</u>
Total fund balance	<u>\$ 26,284,699</u>	<u>\$ 7,018,036</u>	<u>\$ 8,247,080</u>	<u>\$ 41,549,815</u>

**Note 8 – Risk Management**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters; 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.

**Note 8 – 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.

**Note 9 – Pensions and Other Postemployment Benefits**

**Plan descriptions** – The County contributes to the four plans described below. The plans are component units of the State of Arizona and 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.

## **GILA COUNTY**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 9 – Pensions and Other Postemployment Benefits (continued)**

***The Arizona State Retirement System*** – 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 benefit 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*** – 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 benefit 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*** – 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 benefit 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*** – 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 benefit 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. EORP's health insurance premium benefit portion is not administered as its own formal trust. Therefore, in accordance with GASB Statement No. 43, the County is required to disclose certain actuarial information related to the health insurance premium benefit portion that is similar to that of an agent multiple-employer defined benefit plan. However, the Board of Trustees obtains an actuarial valuation for both EORP portions on their statutory basis as cost-sharing plans, and therefore, actuarial information for the County, as a participating government employer, is not available.

**Note 9 – 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 is available on their Web site or may be obtained by writing or calling the applicable plan.

ASRS 3300 North Central Avenue P.O. Box 33910 Phoenix, AZ 85067-3910 (602) 240-2000 or 1-800-621-3778	PSPRS, CORP, and EORP 3010 East Camelback Road, Suite 200 Phoenix, AZ 85016-4416 (602) 255-5575
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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 plan**

For the year ended June 30, 2013, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.14 percent (10.9 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 11.14 percent (10.25 percent for retirement, 0.65 percent for health insurance premium, and 0.24 percent for long term disability) of the members' annual covered payroll. Active EORP members were required by statute to contribute 11.5 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 20.87 percent of the members' annual covered payroll that includes the actuarially set rate of 1.8 percent for the plan's health insurance premium benefit.

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,			
2013	\$ 1,758,152	\$ 262,170	\$ 38,703
2012	1,620,955	106,967	39,495
2011	1,339,305	87,701	37,162

**GILA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 9 – Pensions and Other Postemployment Benefits (continued)**

Elected Officials Retirement Plan  
 Last Three Fiscal years

Years Ended June 30,	Retirement Fund	Health Benefit Supplement Fund
2013	\$ 224,503	\$ 40,186
2012	202,909	11,641
2011	167,413	6,714

**Agent plans**

**PSPRS Contributions** – For the year ended June 30, 2013, active PSPRS members were required by statute to contribute 9.55 percent of the members’ annual covered payroll and the County was required to contribute 27.34 percent, the aggregate of which is the actuarially required amount. The health insurance premium benefit portion of the contribution rate was actuarially set at 1.67 percent of covered payroll.

**CORP Contributions** – CORP members were required by statute to contribute 8.41 percent of the non-dispatcher members’ and 7.96 percent of the dispatchers’ annual covered payroll and the County was required to contribute 8.52 percent for the County corrections officers and 6.38 percent for the County dispatchers. The aggregate of these members’ and the County contributions is the actuarially required amount. The health insurance premium benefit portion of the contribution rate was actuarially set at 1.63 percent and 0.80 percent of covered payroll for the County corrections officers and dispatchers, respectively.

**Actuarial methods and assumptions** – The contribution requirements for the year ended June 30, 2013, were established by the June 30, 2011 actuarial valuation.

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**

**Note 9 – 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 both plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2013 contribution requirements, are as follows:

Actuarial valuation date	June 30, 2011
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	25 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value
Actuarial assumptions:	
Investment rate of return	8.25%
Projected salary increases	5.00% - 8.00% for PSPRS and CORP
Includes inflation at	5% for PSPRS and CORP

**Annual Pension/OPEB Cost** – The County's pension/OPEB cost for the agent plans for the year ended June 30, 2013, and related information follows:

	PSPRS		CORP (Corrections Officers)		CORP (Dispatchers)	
	Pension	Health Insurance Premium Benefit	Pension	Health Insurance Premium Benefit	Pension	Health Insurance Premium Benefit
Annual pension/ OPEB cost	\$ 558,617	\$ 34,771	\$ 172,376	\$ 26,190	\$ 35,779	\$ 3,231
Contributions made	558,617	34,771	172,376	26,190	35,779	3,231

**GILA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 9 – Pensions and Other Postemployment Benefits (continued)**

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>
<b>PSPRS</b>				
Pension	2013	\$ 558,617	100%	\$ -
Health insurance				
Premium benefit	2013	34,771	100%	-
Pension	2012	471,412	100%	3,563
Health insurance				
Premium benefit	2012	38,036	100%	(3,563)
Pension	2011	439,185	100%	24,682
Health insurance				
Premium benefit	2011	36,967	100%	(24,682)
<b>CORP Corrections Officers</b>				
Pension	2013	172,376	100%	-
Health insurance				
Premium benefit	2013	26,190	100%	-
Pension	2012	108,563	100%	5,714
Health insurance				
Premium benefit	2012	24,709	100%	(5,714)
Pension	2011	96,772	100%	27,394
Health insurance				
Premium benefit	2011	40,780	100%	(27,394)
<b>CORP Dispatchers</b>				
Pension	2013	35,779	100%	-
Health insurance				
Premium benefit	2013	3,231	100%	-
Pension	2012	45,762	100%	2,088
Health insurance				
Premium benefit	2012	3,447	100%	(2,088)
Pension	2011	49,134	100%	6,595
Health insurance				
Premium benefit	2011	5,130	100%	(6,595)

**GILA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 9 – Pensions and Other Postemployment Benefits (continued)**

**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 funded status of the plans as of the most recent valuation date, June 30, 2013, is as follows:

	PSPRS		CORP (Corrections Officers)		CORP (Dispatchers)	
	Pension	Health Insurance Premium Benefit	Pension	Health Insurance Premium Benefit	Pension	Health Insurance Premium Benefit
Actuarial accrued liability (a)	\$ 13,944,556	\$ 372,339	\$ 4,007,973	\$ 206,749	\$ 1,711,140	\$ 38,152
Actuarial value of assets (b)	6,922,099	-	3,798,718	-	1,404,612	-
Unfunded actuarial accrued liability (funding excess) (a)-(b)	7,022,457	372,339	209,255	206,749	306,528	38,152
Funded ratio (b) / (a)	49.64%	0.00%	94.78%	0.00%	82.09%	0.00%
Covered payroll (c)	\$ 1,884,079	\$ 1,884,079	\$ 2,306,057	\$ 2,306,057	\$ 279,116	\$ 279,116
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll(((a)-(b)) / (c))	372.73%	19.76%	9.07%	8.97%	109.82%	13.67%

The actuarial methods and assumptions used are the same for both 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 unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value (80% - 120% market)
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	5% - 9% for PSPRS and 5% - 8.25% for CORP
Includes inflation at	5% for PSPRS and CORP

**Note 10 – 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.

**GILA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 10 - Condensed Financial Statements of County Treasurer's Investment Pool (continued)**

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.

The deposits and investments the County holds are included in the County Treasurer's investment pool, except for \$704,731 in deposits, and \$4,742,591 of restricted cash. Therefore, the deposit and investment risks of the Treasurer's investment pool are substantially the same as the County's deposit and investment risks. See Note 3 for disclosure of the County's deposit and investment risks.

Details of each investment classification follow:

<u>Investment Type</u>	<u>Principal</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Fair Value</u>
U.S. Agency Securities	\$ 53,091,635	0.54-1.25%	9/14/2012-4/30/15	\$ 52,939,409
Corporation Obligations	18,193,430	1.46-4.35%	10/22/12-10/31/14	18,252,967
U.S. Treasury Note	1,500,000	2.19%	12/15/2013	1,504,453
	<u>\$ 72,785,065</u>			<u>\$ 72,696,829</u>

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

<b>Statement of Net Position</b>	
Assets	<u>\$ 78,526,610</u>
Net position held in trust for	
External participants	35,373,260
Internal participants	<u>43,153,350</u>
 Total net position held in trust	 <u>\$ 78,526,610</u>
 <b>Statement of Changes in Net Position</b>	
Total additions	\$ 171,976,729
Total deductions	<u>171,673,002</u>
 Net increase	 303,727
 Net position held in Trust, July 1, 2012	 <u>78,222,883</u>
 Net position held in Trust, June 30, 2013	 <u>\$ 78,526,610</u>

**Note 11 - Contingent Liabilities**

Although there are outstanding claims against the County, 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**

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**GILA COUNTY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF AGENT RETIREMENT PLANS' FUNDING PROGRESS**

June 30, 2013						
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 of % of Covered Payroll ((b-a)/c)
<b>Public Safety Personnel Retirement System</b>						
Pension						
2013	\$ 6,922,099	\$ 13,944,556	\$ 7,022,457	49.6%	\$ 1,884,079	372.7%
Health Insurance						
2013	-	372,339	372,339	0.0%	1,884,079	19.76%
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%
<b>Corrections Officers Retirement Plan - Corrections Officers</b>						
Pension						
2013	\$ 3,798,718	\$ 4,214,702	\$ 415,984	90.1%	\$ 2,306,057	18.0%
Health Insurance						
2013	-	206,729	206,729	0.0%	2,306,057	8.96%
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%
<b>Corrections Officers Retirement Plan - Dispatchers</b>						
Pension						
2013	\$ 1,404,612	\$ 1,711,140	\$ 306,528	82.1%	\$ 279,116	109.8%
Health Insurance						
2013	-	38,152	38,152	0.0%	279,116	13.7%
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%

**GILA COUNTY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**NOTES TO SCHEDULE OF AGENT RETIREMENT PLANS' FUNDING PROGRESS**

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**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, 2013		
	Original and Final Budget	Actual	Variance with Final Budget
<b>Revenues:</b>			
Taxes	\$ 22,649,963	\$ 24,812,225	\$ 2,162,262
Licenses and permits	468,000	500,502	32,502
Intergovernmental	11,763,957	12,719,944	955,987
Charges for services	1,990,897	1,919,497	(71,400)
Fines and forfeits	681,380	506,053	(175,327)
Investment earnings	140,000	68,041	(71,959)
Miscellaneous	597,920	940,226	342,306
Total revenues	<u>38,292,117</u>	<u>41,466,488</u>	<u>3,174,371</u>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>General government</b>			
Administrative Services	316,616	109,338	207,278
Assessor	1,025,941	984,659	41,282
Board of Supervisors	1,054,583	1,084,910	(30,327)
Community Development	1,219,693	1,159,603	60,090
Computer Services	783,660	556,375	227,285
Constituent Services	285,000	260,786	24,214
Elections	588,165	429,310	158,855
Facilities Management	1,568,680	1,445,034	123,646
Finance and Purchasing	845,116	794,656	50,460
General Administration	809,340	932,290	(122,950)
Personnel	291,855	280,846	11,009
Professional Services	474,000	-	474,000
Recorder	1,043,341	627,201	416,140
Treasurer	504,230	450,768	53,462
<b>Judicial Services</b>			
County Attorney	4,235,079	2,325,175	1,909,904
County Attorney - Child Support	857,078	709,240	147,838
Constable - Globe	143,434	130,375	13,059
Constable - Payson	169,117	153,093	16,024
Justice Court - Globe	672,699	597,594	75,105
Justice Court - Payson	629,958	575,185	54,773
Indigent Legal Defense	1,219,482	1,177,052	42,430
Clerk of the Superior Court	1,257,172	1,161,415	95,757
Superior Court - Division I	252,028	249,896	2,132
Superior Court - Division II	242,045	241,395	650
Superior Court - General	1,249,913	804,447	445,466
Court System Multi-Information Systems	377,954	336,043	41,911
Law Library	97,510	87,199	10,311
Conciliation Court Fund	97,000	78,000	19,000
Total general government	<u>22,310,689</u>	<u>17,741,885</u>	<u>4,568,804</u>
<b>Public safety</b>			
County Sheriff	10,725,292	9,784,661	940,631
County Sheriff - Facilities Management	299,665	269,336	30,329
Emergency Services & GIS Rural Addressing	513,682	417,014	96,668
Flood Plain Management	184,833	147,475	37,358
Juvenile Detention	1,371,376	1,180,431	190,945
Probation	1,771,703	1,141,773	629,930
Total public safety	<u>14,866,551</u>	<u>12,940,690</u>	<u>1,925,861</u>
<b>Health</b>			
	<u>1,274,808</u>	<u>1,128,169</u>	<u>146,639</u>

**GILA COUNTY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE GENERAL FUND (CONTINUED)**

	Year Ended June 30, 2013		
	Original and Final Budget	Actual	Variance with Final Budget
<b>Welfare</b>			
AHCCCS Contributions	\$ 3,559,600	\$ 3,557,248	\$ 2,352
Indigent Health	20,000	-	20,000
Community Agencies	156,250	-	156,250
Public Fiduciary	410,448	386,990	23,458
Total welfare	<u>4,146,298</u>	<u>3,944,238</u>	<u>202,060</u>
<b>Culture and recreation</b>			
Fairgrounds	256,429	262,752	(6,323)
<b>Education</b>			
School Superintendent	418,541	1,831,715	(1,413,174)
Special School Reserve	15,000	-	15,000
Total education	<u>433,541</u>	<u>1,831,715</u>	<u>(1,398,174)</u>
<b>Reserve</b>	<u>9,383,919</u>	<u>-</u>	<u>9,383,919</u>
<b>Contingency</b>	<u>950,000</u>	<u>-</u>	<u>950,000</u>
<b>Capital outlay</b>	<u>4,559,050</u>	<u>2,061,874</u>	<u>2,497,176</u>
<b>Debt service:</b>			
Principal retirement	310,000	310,000	-
Interest and fiscal charges	318,150	309,997	8,153
Total debt service	<u>628,150</u>	<u>619,997</u>	<u>8,153</u>
Total expenditures	<u>58,809,435</u>	<u>40,531,320</u>	<u>18,278,115</u>
<b>Excess of revenues over expenditures</b>	<u>(20,517,318)</u>	<u>935,168</u>	<u>21,452,486</u>
<b>Other financing sources (uses)</b>			
Transfers in	567,830	241,519	(326,311)
Transfers out	(247,885)	(271,763)	(23,878)
Net other financing sources (uses)	<u>319,945</u>	<u>(30,244)</u>	<u>(350,189)</u>
<b>Net change in fund balances</b>	<u>(20,197,373)</u>	<u>904,924</u>	<u>21,102,297</u>
Fund balances, beginning of year	<u>20,197,373</u>	<u>25,379,775</u>	<u>5,182,402</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 26,284,699</u>	<u>\$ 26,284,699</u>

**GILA COUNTY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE PUBLIC WORKS FUND**

	Year Ended June 30, 2013		
	Original and Final Budget	Actual	Variance with Final Budget
<b>Revenues:</b>			
Taxes	\$ 2,915,834	\$ 3,005,463	\$ 89,629
Licenses and permits	400	2,330	1,930
Intergovernmental	4,498,370	4,087,571	(410,799)
Charges for services	3,500	283,825	280,325
Investment earnings	-	18,611	18,611
Miscellaneous	45,102	27,843	(17,259)
Total revenues	<u>7,463,206</u>	<u>7,425,643</u>	<u>(37,563)</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Highways and streets	12,123,017	6,444,122	5,678,895
Capital outlay	2,950,983	2,407,864	543,119
Total expenditures	<u>15,074,000</u>	<u>8,851,986</u>	<u>6,222,014</u>
<b>Excess (deficit) revenues over expenditures</b>	<u>(7,610,794)</u>	<u>(1,426,343)</u>	<u>6,184,451</u>
<b>Other financing sources (uses):</b>			
Transfers out	(247,714)	(241,519)	6,195
Net other financing uses	<u>(247,714)</u>	<u>(241,519)</u>	<u>6,195</u>
Net change in fund balances	(7,858,508)	(1,667,862)	6,190,646
Fund balances, beginning of year	<u>7,858,508</u>	<u>8,685,898</u>	<u>827,390</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 7,018,036</u>	<u>\$ 7,018,036</u>

**GILA COUNTY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**NOTES TO THE BUDGETARY COMPARISON SCHEDULES**

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**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, 2013, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

Fund/Department	Excess
General Fund	
Board of supervisors	\$ (30,327)
General administration	(122,950)
Fairgrounds	(6,323)
School superintendent	(1,413,174)

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.