

# Gila County

Annual Financial Report

Year Ended June 30, 2021



A Report to the Arizona Legislature

Lindsey A. Perry  
Auditor General





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# TABLE OF CONTENTS

## Annual Financial Report

### Independent auditors' report

**Required supplementary information—management's discussion and analysis** a-1

### Government-wide statements

Statement of net position 1

Statement of activities 2

### Governmental funds

Balance sheet 3

Reconciliation of the governmental funds balance sheet to the government-wide statement of net position 4

Statement of revenues, expenditures, and changes in fund balances 5

Reconciliation of the governmental funds statement of revenues, expenditures, and changes in fund balances to the government-wide statement of activities 6

### Proprietary funds

Statement of net position 7

Statement of revenues, expenses, and changes in fund net position 8

Statement of cash flows 9

### Fiduciary funds

Statement of fiduciary net position 11

Statement of changes in fiduciary net position 12

Notes to financial statements 13

### Other required supplementary information

Budgetary comparison schedule—General Fund 48

Budgetary comparison schedule—Health Services Fund 51

Budgetary comparison schedule—Public Works Fund 52

Notes to budgetary comparison schedules 53

Schedule of the County's proportionate share of the net pension liability—cost-sharing pension plans 55

Schedule of changes in the County's net pension liability and related ratios—agent pension plans 56

Schedule of county pension contributions 59

Notes to pension plan schedules 61

# ANNUAL FINANCIAL REPORT



LINDSEY A. PERRY  
AUDITOR GENERAL

ARIZONA  
AUDITOR GENERAL

MELANIE M. CHESNEY  
DEPUTY AUDITOR GENERAL

## Independent auditors' report

Members of the Arizona State Legislature

The Board of Supervisors of  
Gila County, Arizona

### Report on the financial statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Gila County as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

#### ***Management's responsibility for the financial statements***

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

#### ***Auditors' responsibility***

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the County as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## **Emphasis of matter**

As discussed in Note 1 to the financial statements, for the year ended June 30, 2021, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

## **Other matters**

### *Required supplementary information*

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages a-1 through a-9, budgetary comparison schedules on pages 48 through 52, schedule of the County's proportionate share of the net pension liability—cost-sharing plans on page 55, schedule of changes in the County's net pension liability and related ratios—agent plans on pages 56 through 58, and the schedule of County pension contributions on pages 59 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

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

## **Other reporting required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we will issue our report 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 at a future date. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

*Lindsey A. Perry*

Lindsey A. Perry, CPA, CFE  
Auditor General

May 18, 2022

# Gila County

## Management's discussion and analysis

### June 30, 2021

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, 2021. We encourage readers to consider the information presented here in conjunction with the financial statements.

#### Financial Highlights

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the current fiscal year by \$19.3 million (net position). Of this amount, \$30.5 million is the net investment in capital assets (e.g., land, buildings, improvements, machinery and equipment, infrastructure and construction in progress); \$29.1 million is restricted for specific purposes (restricted net position); and (\$40.3) million is the County's deficit that is primarily a result of recognizing long-term liabilities related to pensions and other postemployment benefits (OPEB).
- At June 30, 2021, total assets were \$101.3 million, an increase of \$7.3 million or 7.7 percent in comparison with the prior fiscal year's balance of \$94.1 million.
- At June 30, 2021, total liabilities were \$107.9 million, an increase of \$26 million or 31.8 percent in comparison with the prior fiscal year's balance of \$81.9 million.
- At June 30, 2021, the County reported total deferred outflows of resources related to pensions/OPEB of \$27.9 million and deferred inflows of resources related to pensions/OPEB of \$2 million.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$36.1 million, a decrease of \$3.0 million in comparison with the prior year's balance of \$39 million.
- At the end of the current fiscal year, general fund had an unrestricted fund balance of \$11.3 million or 16.8 percent of total general fund expenditures. Of this amount, assigned fund balance for construction projects, rainy day and cash flow reserves was \$16.3 million and unassigned deficit was \$5 million.

#### 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

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 deferred outflows of resources and liabilities and deferred inflows of resources, 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

# Gila County

## Management's discussion and analysis

### June 30, 2021

reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The statement of activities distinguishes functions of the County that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or part of their costs through user fees and charges.

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

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 1 and 2 of this report.

#### **Fund Financial Statements**

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 three funds that are considered to be major funds, General, Health Services 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 3 through 6 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 7 through 10 of this report.

**Gila County**  
**Management's discussion and analysis**  
**June 30, 2021**

*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 11 and 12 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 13 through 46 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 net pension liability and pension contributions. Required supplementary information can be found on pages 47 through 62 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$19.4 million as presented in the following table.

**Condensed statement of net position**  
**(in thousands)**  
**June 30, 2021 and 2020**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Current and other assets	\$ 47,161	\$ 45,540	\$12,969	\$12,198	\$ 60,130	\$ 57,738
Capital assets, net	<u>36,971</u>	<u>32,129</u>	<u>4,235</u>	<u>4,198</u>	<u>41,206</u>	<u>36,327</u>
Total assets	<u>84,132</u>	<u>77,669</u>	<u>17,204</u>	<u>16,396</u>	<u>101,336</u>	<u>94,065</u>
Deferred outflows	<u>27,744</u>	<u>10,925</u>	<u>150</u>	<u>87</u>	<u>27,894</u>	<u>11,012</u>
Current and other liabilities	8,571	4,512	70	34	8,641	4,546
Long-term liabilities	<u>94,078</u>	<u>72,450</u>	<u>5,186</u>	<u>4,864</u>	<u>99,264</u>	<u>77,314</u>
Total liabilities	<u>102,649</u>	<u>76,962</u>	<u>5,256</u>	<u>4,898</u>	<u>107,905</u>	<u>81,860</u>
Deferred inflows	<u>1,953</u>	<u>4,066</u>	<u>16</u>	<u>33</u>	<u>1,969</u>	<u>4,099</u>
Net position						
Net investment in capital assets	\$ 26,536	\$ 25,975	\$ 4,009	\$ 3,893	\$ 30,545	\$ 29,868
Restricted	23,715	22,408	5,377	5,326	29,092	27,734
Unrestricted	<u>(42,977)</u>	<u>(40,817)</u>	<u>2,695</u>	<u>2,333</u>	<u>(40,282)</u>	<u>(38,484)</u>
Total net position	<u>\$ 7,274</u>	<u>\$ 7,566</u>	<u>\$12,081</u>	<u>\$11,552</u>	<u>\$ 19,355</u>	<u>\$ 19,118</u>

The largest portion of the County's net position is approximately \$30.5 million, or 157.8 percent, 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

# Gila County

## Management's discussion and analysis

### June 30, 2021

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 because the capital assets themselves cannot be used to liquidate these liabilities. The County's restricted net position of \$29.1 million, or 150.3 percent, is subject to external restrictions on how they may be used. The County's unrestricted deficit of \$40.3 million, or negative 208.1 percent, was a decrease of \$1.8 million from the prior year's unrestricted deficit of \$38.5 million.

The following provides an explanation of governmental activities, current and other assets, deferred outflows and inflows related to pensions/OPEB, and long-term liabilities that changed significantly over the prior year:

- Current and other assets—the net increase of \$1.6 million was primarily due to the receipt of grant monies from the American Rescue Plan Act that were unspent at year end.
- Deferred outflows and inflows related to pensions and OPEB—the net increase of \$16.8 million for the deferred outflows and the net decrease of \$2.1 million for deferred inflows related to pensions and OPEB, were a result of the actuarial valuation performed of the County's participated pension plans as of June 30, 2020 and a measurement date of June 30, 2020.
- Long-term liabilities—the net increase of \$21.6 million was largely due to the following: 1) a net increase of \$16.9 million of 2020 pledged revenue bonds issued in the current fiscal year and 2) a net increase of \$5.9 million of the net pension/OPEB liabilities as a result of the actuarial valuation performed of the County's participated pension plans as of June 30, 2020 and a measurement date of June 30, 2020.

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

- Current and other assets—the increase of \$770,311 was primarily due to an increase in cash and investments from the timing of purchases and ongoing construction projects.
- Long-term liabilities—the net increase of \$321,267 was primarily due to the following: 1) an increase of \$224,702 of landfill closure and postclosure care costs liability calculated by the County's contracted engineering specialist and 2) a net increase of \$183,869 of the net pension/OPEB liabilities as a result of the actuarial valuation performed of the County's participated pension plans as of June 30, 2020 and a measurement date of June 30, 2020.

**Statement of activities**—The statement of activities purpose is to present how the government's net position changed during the current fiscal year. At the end of the current fiscal year, the County's net position increased by \$237,743. The following table presents the changes in net position.

**Gila County**  
**Management's discussion and analysis**  
**June 30, 2021**

**Changes in Net Position**  
**(in thousands)**  
**Years Ended June 30, 2021 and 2020**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,613	\$ 3,451	\$ 2,276	\$ 2,080	\$ 5,889	\$ 5,531
Grants and contributions	19,083	18,197			19,083	18,197
General revenues:						
Property taxes	24,622	23,274			24,622	23,274
County excise tax	6,075	5,147			6,075	5,147
Share of state sales taxes	7,921	6,364			7,921	6,364
Shared revenue, state vehicle license tax	2,339	1,944			2,339	1,944
State appropriations	550	550			550	550
Shared revenue, state liquor license tax	21	9			21	9
Payments in lieu of taxes	4,058	4,092			4,058	4,092
Investment income (loss)	212	681	4	174	216	855
Miscellaneous	758	1,173			758	1,173
Gain on sale/trade-in of capital assets		38				38
Total revenues	<u>69,252</u>	<u>64,920</u>	<u>2,280</u>	<u>2,254</u>	<u>71,532</u>	<u>67,174</u>
Expenses:						
General government	33,316	24,174			33,316	24,174
Public safety	15,425	18,698			15,425	18,698
Highways and streets	6,354	6,863			6,354	6,863
Health	1,959	2,987			1,959	2,987
Welfare	7,735	7,224			7,735	7,224
Sanitation	189	27	1,751	1,822	1,940	1,849
Culture and recreation	1,300	1,188			1,300	1,188
Education	2,229	2,070			2,229	2,070
Interest on long-term debt	1,037	538			1,037	538
Total expenses	<u>69,544</u>	<u>63,769</u>	<u>1,751</u>	<u>1,822</u>	<u>71,295</u>	<u>65,591</u>
Changes in net position	(292)	1,151	529	432	237	1,583
Net position—beginning	<u>7,566</u>	<u>6,415</u>	<u>11,552</u>	<u>11,120</u>	<u>19,118</u>	<u>17,535</u>
Net position—ending	<u>\$ 7,274</u>	<u>\$ 7,566</u>	<u>\$12,081</u>	<u>\$11,552</u>	<u>\$19,355</u>	<u>\$19,118</u>

Overall, the governmental activities revenues increased by \$4.3 million, or 6.7 percent, and program expenses increased by \$5.8 million, or 9.1 percent, in the current fiscal year. The following provides an explanation of governmental activities revenues and expenses that changed significantly compared to the prior year:

Grants and contributions—The net increase of \$886,339 was primarily due to the receipt of additional grants due to the COVID-19 pandemic.

Shared revenue-state sales tax—The net increase of \$1.6 million was primarily due to an increase in sales tax revenue as the result of a 23% increase in hotel, motel, and tourism sectors as individuals and families flocked to the area to enjoy all of the outdoor activities.

# Gila County

## Management's discussion and analysis

### June 30, 2021

General government expenses—The net increase of \$9.1 million was primarily due to expenditures related to various capital improvements.

Overall, the business-type activities revenues increased by \$26,180, or 1.2 percent, and program expenses decreased by \$70,221, or 3.9 percent, in the current fiscal year.

#### Financial Analysis of the Governmental Funds

The County reported three major funds for this fiscal year: the General Fund, Health Services Fund and Public Works Fund. At the end of the current fiscal year, the County's governmental funds reported combined fund balances of \$36 million, which was a decrease of \$2.9 million from the prior year. Of the total, \$9 million constitutes unrestricted fund balances.

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 \$16 million, a decrease of \$7.3 million, or 31.3 percent over the prior year's balance of \$23.4 million. The unrestricted fund balance of the general fund was \$11.3 million, which represents 16.8 percent of total general fund expenditures. This ratio indicates a strong fund balance position in comparison to expenditures.

The following provides an explanation of major fund's activities that changed significantly over the prior year:

#### General Fund

Cash and investments held by trustee-restricted—The decrease of \$4.9 million was solely due to the spending of the 2019 pledged revenue obligations issued in the prior year, but not spent until this year.

Unearned revenue increased \$4.0 million from prior year as the result of the receipt of the first payment from the American Rescue Plan Act that was unspent as of year-end.

General government expenditures increased from \$21.6 million to \$30.3 million from the prior year due to expenditures related to various capital improvements.

Public safety expenditures—The net increase of \$12.3 million was largely due to the issuance of \$16.9 million in pledged revenue obligation bonds, the proceeds of which were used to fund the unfunded obligation of the County's pension liabilities through the public safety personnel retirement system.

#### Health Services Fund

Unavailable revenues-intergovernmental—The increase to \$1.1 million was primarily due to a grant awarded to the County to expand lab capacity for COVID-19 testing.

#### Public Works Fund

Cash and investments—The net increase of \$1.9 million was due to an increase in revenues of \$699,800 combined with a decrease in expenditures of \$521,057. The revenue increase is attributable to a \$562,024 increase of HURF (Highway User Revenue Fund) and an increase in Vehicle License Tax. The expense decrease is attributable to a change in the indirect cost allocation plan in 2021 compared to 2020.

# Gila County

## Management's discussion and analysis

### June 30, 2021

#### General Fund Budgetary Highlights

General Fund actual expenditures were \$22,737,084 under the adopted budget, and actual revenues were more than estimated revenues by \$7,832,910. The County had budgeted \$338,000 for contingency reserve and \$15,000,000 for taxpayer stabilization and did not incur any expenditures during the current fiscal year. The Education department (School Superintendent) had budgeted expenditures of \$421,674 while actual expenditures of \$1,264,601 were over budget due to not budgeting for the national forest fees of \$829,069 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 significant County departments and other budgeted line items over 5 percent of the budget are Computer Services \$388,756, Facilities Management \$209,517, Finance/Purchasing \$127,035, General Administration \$734,976, Constable - Globe \$21,393, Community Agencies \$25,000, School Superintendent \$842,927, and Debt Service \$944,829. The over budget expenditures for School Superintendent was due to the unbudgeted pass-through grants as mentioned above. The over budget expenditures for the remaining budgeted line items were primarily due to unexpected costs. 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 net of accumulated depreciation increased by \$4.9 million, or 13.4 percent, during the current fiscal year in comparison with the prior year's balance of \$36.3 million.

The County's investment in capital assets for its governmental activities as of June 30, 2021, amounts to \$37 million (net of accumulated depreciation), a net increase of \$4.8 million, or 15.1 percent, from the prior year.

The County's investment in capital assets for its business-type activities as of June 30, 2021, amounts to \$4.2 million (net of accumulated depreciation), a net increase of \$36,461, or 0.9 percent from the prior year.

Major capital asset activity during the fiscal year included:

Governmental Activities:

- Construction in Progress—The net increase of \$5.2 million was primarily due to the continued construction on the new animal shelter and County complex in Payson. Current year additions for those projects was \$2.5 million and \$2.3 million, respectively.

**Gila County**  
**Management's discussion and analysis**  
**June 30, 2021**

**Capital Assets at Year-End**  
**(Net of Accumulated Depreciation)**  
**(in thousands)**  
**June 30, 2021 and 2020**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2022	2020
Land	\$ 2,384	\$ 2,340	\$3,000	\$3,000	\$ 5,384	\$ 5,340
Construction in progress	9,736	4,569			9,736	4,569
Buildings	10,763	10,450	4	5	10,767	10,455
Improvements other than buildings	662	713	599	616	1,261	1,329
Machinery and equipment	3,774	4,212	632	577	4,406	4,789
Infrastructure	<u>9,652</u>	<u>9,845</u>			<u>9,652</u>	<u>9,845</u>
Total capital assets, net	<u>\$36,971</u>	<u>\$32,129</u>	<u>\$4,235</u>	<u>\$4,198</u>	<u>\$41,206</u>	<u>\$36,327</u>

Additional information on the County's capital assets can be found in Note 7 on pages 24 through 25 of this report.

**Long-term debt**—The County's total long-term liabilities as of June 30, 2021, amounts to \$99.3 million, a net increase of \$21.9 million during the current fiscal year in comparison with the prior year's balance of \$77.3 million.

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

Governmental Activities:

- Pledged revenue obligations payables—the net increase of \$15.9 million solely due to the newly issued 2020 pledged revenue obligations of \$16.9 million, required annual debt service payments of \$850,549 and annual premium amortization of \$90,255.
- Net pension liability—the net increase of \$5.7 million of the net pension/OPEB liabilities as a result of the actuarial valuation performed of the County's participated pension plans as of June 30, 2020 and a measurement date of June 30, 2020.

Business-Type Activities:

- Landfill closure and postclosure care costs payable—an increase of \$224,702 of landfill closure and postclosure care costs liability calculated by the County's contracted engineering specialist.
- Net pension liability—the net increase of \$183,869 of the net pension/OPEB liabilities as a result of the actuarial valuation performed of the County's participated pension plans as of June 30, 2020 and a measurement date of June 30, 2020.

State statutes limit the amount of general obligation debt a county may issue to 6 percent of its total assessed valuation. The current debt limitation for the County is \$32,962,944. Since the County has no general obligation debt, this amount equals the debt capacity. Additional information on long-term debt can be found in Note 9 on pages 25 through 28 of this report.

**Gila County**  
**Management's discussion and analysis**  
**June 30, 2021**

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

The unemployment rate for Gila County is 7.2 percent at June 2021 which is significantly lower than the previous year's rate of 9.2 percent. The state unemployment rate was 9.0 percent at June 2021. There is an increase in property assessed valuations with no change in tax rate for the fiscal year 2021. These economic factors were considered in preparing the County's budget for this fiscal year 2022.

**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**  
**June 30, 2021**

	<b>Governmental activities</b>	<b>Business-type activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and investments	\$ 35,892,754	\$ 7,504,839	\$ 43,397,593
Receivables (net of allowances for uncollectibles):			
Property taxes	504,889		504,889
Accounts	415,848	82,074	497,922
Interest	89,489	18,528	108,017
Internal balances	16,867	(16,867)	
Due from other governments	4,660,639		4,660,639
Prepaid items	39,213		39,213
Inventories	103,231		103,231
Restricted cash and investments	4,622,140	5,376,973	9,999,113
Net other postemployment benefits asset	816,059	3,037	819,096
Capital assets, not being depreciated	12,119,726	3,000,000	15,119,726
Capital assets, being depreciated, net	<u>24,851,509</u>	<u>1,234,832</u>	<u>26,086,341</u>
Total assets	<u>84,132,364</u>	<u>17,203,416</u>	<u>101,335,780</u>
<b>Deferred outflows of resources</b>			
Deferred outflows related to pensions and OPEB	<u>27,744,027</u>	<u>150,034</u>	<u>27,894,061</u>
<b>Liabilities</b>			
Accounts payable	1,873,994	40,955	1,914,949
Retainage	42,442		42,442
Accrued payroll and employee benefits	985,617	29,482	1,015,099
Due to other governments	44,735		44,735
Unearned revenue	5,624,618		5,624,618
Noncurrent liabilities:			
Due within one year	2,852,782	107,407	2,960,189
Due in more than one year	<u>91,224,869</u>	<u>5,078,278</u>	<u>96,303,147</u>
Total liabilities	<u>102,649,057</u>	<u>5,256,122</u>	<u>107,905,179</u>
<b>Deferred inflows of resources</b>			
Deferred inflows related to pensions and OPEB	<u>1,952,996</u>	<u>16,127</u>	<u>1,969,123</u>
<b>Net position</b>			
Net investment in capital assets	26,536,173	4,008,988	30,545,161
Restricted for:			
Public safety	178,473		178,473
Highways and streets	12,998,769		12,998,769
Health services	1,643,195		1,643,195
Judicial activities	3,559,979		3,559,979
Law enforcement	1,407,623		1,407,623
Education	2,037,239		2,037,239
Sanitation	172,779		172,779
Social services	263,114		263,114
Library	557,286		557,286
Street lighting improvement	21,480		21,480
Other purposes	875,061		875,061
Landfill closure and postclosure care costs		5,376,973	5,376,973
Unrestricted	<u>(42,976,833)</u>	<u>2,695,240</u>	<u>(40,281,593)</u>
Total net position	<u>\$ 7,274,338</u>	<u>\$ 12,081,201</u>	<u>\$ 19,355,539</u>

See accompanying notes to financial statements.

**Gila County**  
**Statement of activities**  
**Year ended June 30, 2021**

	Program revenues			Net (expense) revenue and changes in net position		
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government	
					Governmental activities	Business-type activities
<b>Functions/programs</b>						
<b>Governmental activities</b>						
General government	\$ 33,315,570	\$ 2,600,665	\$ 1,601,475	\$ (29,113,430)		\$ (29,113,430)
Public safety	15,425,039	607,155	4,262,986	(10,554,898)		(10,554,898)
Highways and streets	6,353,915	49,262	23,284	48,106	\$ 6,329,475	48,106
Health	1,958,504	229,541	2,570,412	841,449		841,449
Welfare	7,734,966	64,896	2,322,534	(5,347,536)		(5,347,536)
Sanitation	189,482		180,101	(9,381)		(9,381)
Culture and recreation	1,300,262		138,337	(1,161,925)		(1,161,925)
Education	2,228,816	61,481	1,654,432	(512,903)		(512,903)
Interest on long-term debt	1,036,959			(1,036,959)		(1,036,959)
Total governmental activities	<u>69,543,513</u>	<u>3,613,000</u>	<u>12,753,561</u>	<u>6,329,475</u>		<u>(46,847,477)</u>
<b>Business-type activities</b>						
Landfill	1,751,360	2,275,689			\$ 524,329	524,329
Total business-type activities	<u>1,751,360</u>	<u>2,275,689</u>			<u>524,329</u>	<u>524,329</u>
Total primary government	<u>\$ 71,294,873</u>	<u>\$ 5,888,689</u>	<u>\$ 12,753,561</u>	<u>\$ 6,329,475</u>	<u>524,329</u>	<u>(46,323,148)</u>
<b>General revenues</b>						
Taxes:						
Property taxes, levied for general purposes				23,253,699		23,253,699
Property taxes, levied for street lighting districts				45,367		45,367
Property taxes, levied for library district				1,323,220		1,323,220
County excise tax for general purpose				4,138,560		4,138,560
County excise tax for transportation purpose				1,935,516		1,935,516
Shared revenue—state sales tax				7,920,718		7,920,718
Shared revenue—state vehicle license tax				2,339,069		2,339,069
State appropriations				550,050		550,050
Shared revenue—state liquor license tax				21,306		21,306
Payments in lieu of taxes				4,058,255		4,058,255
Investment earnings				211,743	4,707	216,450
Miscellaneous				758,681		758,681
Total general revenues				<u>46,556,184</u>	<u>4,707</u>	<u>46,560,891</u>
Change in net position				(291,293)	529,036	237,743
Net position, July 1, 2020				<u>7,565,631</u>	<u>11,552,165</u>	<u>19,117,796</u>
Net position, June 30, 2021				<u>\$ 7,274,338</u>	<u>\$ 12,081,201</u>	<u>\$ 19,355,539</u>

See accompanying notes to financial statements.

**Gila County**  
**Balance sheet**  
**Governmental funds**  
**June 30, 2021**

	<u>General Fund</u>	<u>Health Services Fund</u>	<u>Public Works Fund</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
<b>Assets</b>					
Cash and investments	\$ 15,999,244		\$ 12,397,201	\$ 7,496,309	\$ 35,892,754
Receivables (net of allowances for uncollectibles):					
Property taxes	475,422			29,467	504,889
Accounts	219,667	\$ 30,750	7,662	157,769	415,848
Interest	27,556		31,128	30,805	89,489
Due from other funds	727,859			65,282	793,141
Due from other governments	2,195,081	1,177,255	869,140	419,163	4,660,639
Cash and investments held by trustee-restricted	4,622,140				4,622,140
Prepaid items	38,925	63		225	39,213
Inventories	103,231				103,231
Total assets	<u>24,409,125</u>	<u>1,208,068</u>	<u>13,305,131</u>	<u>8,199,020</u>	<u>47,121,344</u>
<b>Liabilities</b>					
Accounts payable	1,469,729	39,941	129,402	234,922	1,873,994
Retainage payable			42,442		42,442
Accrued payroll and employee benefits	621,500	83,170	117,267	163,680	985,617
Due to:					
Other funds	67,035	612,976	44,865	51,398	776,274
Other governments				44,735	44,735
Unearned revenue	5,624,618				5,624,618
Total liabilities	<u>7,782,882</u>	<u>736,087</u>	<u>333,976</u>	<u>494,735</u>	<u>9,347,680</u>
<b>Deferred inflows of resources</b>					
Unavailable revenue—property taxes	381,318			11,710	393,028
Unavailable revenue—intergovernmental		1,100,855		2,322	1,103,177
Unavailable revenue—charges for services	61,639				61,639
Unavailable revenue—miscellaneous	135,378	63		16,220	151,661
Total deferred inflows of resources	<u>578,335</u>	<u>1,100,918</u>	<u>          </u>	<u>30,252</u>	<u>1,709,505</u>
<b>Fund balances</b>					
Nonspendable	142,156	63		225	142,444
Restricted	4,622,140	542,214	12,998,769	8,742,309	26,905,432
Assigned	16,250,034				16,250,034
Unassigned	(4,966,422)	(1,171,214)	(27,614)	(1,068,501)	(7,233,751)
Total fund balances	<u>16,047,908</u>	<u>(628,937)</u>	<u>12,971,155</u>	<u>7,674,033</u>	<u>36,064,159</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 24,409,125</u>	 <u>\$ 1,208,068</u>	 <u>\$ 13,305,131</u>	 <u>\$ 8,199,020</u>	 <u>\$ 47,121,344</u>

See accompanying notes to financial statements.

# Gila County

## Reconciliation of the governmental funds balance sheet to the government-wide statement of net position June 30, 2021

<b>Fund balances—total governmental funds</b>	<b>\$ 36,064,159</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	36,971,235
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	1,709,505
Net OPEB assets held in trust for future benefits are not available for County operations and, therefore, are not reported in the funds.	816,059
Long-term liabilities, such as net pension/OPEB liabilities and pledged revenue obligations payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(94,077,651)
Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future reporting periods and, therefore, are not reported in the funds.	<u>25,791,031</u>
Net position of governmental activities	<u>\$ 7,274,338</u>

See accompanying notes to financial statements.

**Gila County**  
**Statement of revenues, expenditures, and changes in fund balances**  
**Governmental funds**  
**Year ended June 30, 2021**

	<u>General Fund</u>	<u>Health Services Fund</u>	<u>Public Works Fund</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
<b>Revenues:</b>					
Taxes	\$ 27,496,107		\$ 1,935,516	\$ 1,387,714	\$ 30,819,337
Licenses and permits	727,042	\$ 114,018	4,826		845,886
Intergovernmental	18,048,641	1,807,065	6,329,475	6,520,872	32,706,053
Charges for services	1,409,587	115,523	44,170	692,961	2,262,241
Fines and forfeits	411,893		266	72,576	484,735
Donations and contributions	109	10,910		319,295	330,314
Investment earnings	187,893		14,315	9,535	211,743
Miscellaneous	420,888	215,499	66,375	169,538	872,300
Total revenues	<u>48,702,160</u>	<u>2,263,015</u>	<u>8,394,943</u>	<u>9,172,491</u>	<u>68,532,609</u>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	30,307,229			2,880,756	33,187,985
Public safety	28,245,936			2,526,762	30,772,698
Highways and streets	407,566		6,193,964	51,776	6,653,306
Health	6,241	4,552,631			4,558,872
Welfare	4,774,904			2,900,333	7,675,237
Sanitation				102,978	102,978
Culture and recreation				1,248,705	1,248,705
Education	1,264,601			897,061	2,161,662
<b>Debt service:</b>					
Principal retirement	850,549				850,549
Interest and other charges	757,569				757,569
Bond issuance costs	369,645				369,645
Total expenditures	<u>66,984,240</u>	<u>4,552,631</u>	<u>6,193,964</u>	<u>10,608,371</u>	<u>88,339,206</u>
Excess (deficiency) of revenues over expenditures	<u>(18,282,080)</u>	<u>(2,289,616)</u>	<u>2,200,979</u>	<u>(1,435,880)</u>	<u>(19,806,597)</u>
<b>Other financing sources (uses):</b>					
Pledged revenue obligations	16,855,000				16,855,000
Transfers in		1,822,036	17,647	4,071,937	5,911,620
Transfers out	(5,911,620)				(5,911,620)
Total other financing sources (uses)	<u>10,943,380</u>	<u>1,822,036</u>	<u>17,647</u>	<u>4,071,937</u>	<u>16,855,000</u>
Net change in fund balances	(7,338,700)	(467,580)	2,218,626	2,636,057	(2,951,597)
Fund balances (deficits), July 1, 2020	23,372,006	(161,357)	10,752,529	5,037,976	39,001,154
Increase in reserve for inventories	14,602				14,602
Fund balances (deficits), June 30, 2021	<u>\$ 16,047,908</u>	<u>\$ (628,937)</u>	<u>\$ 12,971,155</u>	<u>\$ 7,674,033</u>	<u>\$ 36,064,159</u>

See accompanying notes to financial statements.

# Gila County

## Reconciliation of the governmental funds statement of revenues, expenditures, and changes in fund balances to the government-wide statement of activities Year ended June 30, 2021

Net change in fund balances—total governmental funds		\$ (2,951,597)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	7,952,698	
Depreciation expense	<u>(3,110,314)</u>	4,842,384
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position, also governmental funds report the effect of premiums, discounts, and similar items when debt is issued, whereas these amounts are amortized in the statement of activities.		
Debt issued or incurred	(16,855,000)	
Bond premium amortized	90,255	
Principal repaid	850,549	
Installment purchase contracts principal repaid	<u>19,965</u>	(15,894,231)
County pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension/OPEB liability is measured a year before the County's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the statement of activities.		
County pension/OPEB contributions	20,617,939	
Pension/OPEB expense	<u>(7,646,890)</u>	12,971,049
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.		
Decrease in compensated absences payable		6,889
Collections of revenues in the governmental funds exceeded revenues reported in the statement of activities		
Property taxes	(122,975)	
Miscellaneous revenue	<u>(133,620)</u>	(236,595)
Some revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		
Intergovernmental	694,236	
Charges for services	20,138	
EORP subsidy	<u>241,832</u>	956,206
Some cash outlays, such as purchases of inventories, are reported as expenditures in the governmental funds when purchased. In the statement of activities, however, they are reported as expenses when consumed.		
Increase in inventories		<u>14,602</u>
Change in net position of governmental activities		<u>\$ (291,293)</u>

See accompanying notes to financial statements.

**Gila County**  
**Statement of net position**  
**Proprietary fund**  
**June 30, 2021**

	<b>Business-type activities— enterprise fund landfill</b>
<b>Assets</b>	
Current assets:	
Cash and investments	\$ 7,504,839
Accounts receivable	82,074
Interest receivable	18,528
Due from other funds	<u>1,753</u>
Total current assets	<u>7,607,194</u>
Noncurrent assets:	
Restricted cash and investments	5,376,973
Capital assets:	
Nondepreciable	3,000,000
Depreciable, net	1,234,832
Net OPEB assets	<u>3,037</u>
Total noncurrent assets	<u>9,614,842</u>
Total assets	<u>17,222,036</u>
<b>Deferred outflows of resources</b>	
Deferred outflows related to pensions	<u>150,034</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	40,955
Accrued payroll and employee benefits	29,482
Due to other funds	18,620
Installment purchase contracts payable	<u>82,225</u>
Total current liabilities	<u>171,282</u>
Noncurrent liabilities:	
Installment purchase contracts payable	143,619
Compensated absences payable	26,614
Landfill closure and postclosure care costs payable	4,136,680
Net pension liability	<u>796,547</u>
Total noncurrent liabilities	<u>5,103,460</u>
Total liabilities	<u>5,274,742</u>
<b>Deferred inflows of resources</b>	
Deferred inflows related to pensions	<u>16,127</u>
<b>Net position</b>	
Invested in capital assets, net of related debt	4,008,988
Restricted for landfill closure and postclosure care costs	5,376,973
Unrestricted	<u>2,695,240</u>
Total net position	<u>\$ 12,081,201</u>

See accompanying notes to financial statements.

# Gila County

## Statement of revenues, expenses, and changes in fund net position

### Proprietary fund

Year ended June 30, 2021

	<b>Business-type activities— enterprise fund landfill</b>
Operating revenues:	
Landfill fees	\$ 2,229,283
Miscellaneous	<u>46,406</u>
Total operating revenues	<u>2,275,689</u>
Operating expenses:	
Personal services	
Professional services	812,393
Supplies	102,366
Utilities	123,719
Repairs and maintenance	276,352
Landfill closure and postclosure care costs	224,702
Depreciation	119,736
Other	<u>92,092</u>
Total operating expenses	<u>1,751,360</u>
Operating income	524,329
Nonoperating revenues	
Investment earnings	<u>4,707</u>
Total nonoperating revenues	<u>4,707</u>
Changes in net position	529,036
Net position, July 1, 2020	<u>11,552,165</u>
Net position, June 30, 2021	<u>\$ 12,081,201</u>

See accompanying notes to financial statements.

**Gila County**  
**Statement of cash flows**  
**Proprietary fund**  
**Year ended June 30, 2021**

	<b>Business-type activities— enterprise fund landfill</b>
Cash flows from operating activities	
Receipts from customers	\$ 2,221,661
Payments to suppliers and providers of goods and services	(571,079)
Payments to employees	<u>(709,260)</u>
Net cash provided by operating activities	<u>941,322</u>
Cash flows from capital and related financing activities	
Purchases of capital assets	(156,197)
Principal and other charges on installment purchase contracts	<u>(79,384)</u>
Net cash used for capital and related financing activities	<u>(235,581)</u>
Cash flows from investing activities	
Investment earnings	<u>20,308</u>
Net cash provided by investing activities	<u>20,308</u>
Net increase in cash and cash equivalents	726,049
Cash and cash equivalents, July 1, 2020	<u>12,155,763</u>
Cash and cash equivalents, June 30, 2021	<u>\$12,881,812</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 524,329
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	119,736
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Due from other funds	(1,753)
Accounts receivable	(54,028)
Net other postemployment-benefits asset	(1,776)
Deferred outflows of resources related to pensions and other postemployment benefits	(63,459)
Accounts payable	27,509
Accrued payroll and employee benefits	9,357
Due to other funds	(2,306)
Compensated absences payable	(7,920)
Landfill closure and postclosure care costs payable	224,702
Net pension liability	183,869
Deferred inflows of resources related to pensions and other postemployment benefits	<u>(16,938)</u>
Net cash provided by operating activities	<u>\$ 941,322</u>

See accompanying notes to financial statements.

**Gila County**  
**Statement of cash flows**  
**Proprietary fund**  
**Year ended June 30, 2021**

**Schedule of Noncash Investing, Capital and Noncapital Financing Activities:**

Landfill closure and postclosure care costs expense	\$ 224,702
Landfill closure and postclosure care costs payable	(224,702)
Personal services expense	101,696
Deferred inflows of resources related to pension and OPEB	16,938
Deferred outflows of resources related to pension and OPEB	63,459
Net OPEB asset	<u>1,776</u>
Net pension and OPEB liabilities	<u>\$ (183,869)</u>

See accompanying notes to financial statements.

**Gila County**  
**Statement of fiduciary net position**  
**Fiduciary funds**  
**June 30, 2021**

	<u>Private- purpose trust funds</u>	<u>Custodial funds</u>	
		<u>External Investment pool</u>	<u>Other</u>
<b>Assets</b>			
Cash and investments	\$ 406,458	\$ 58,554,537	\$ 1,333,623
Taxes receivable for other governments			59,574
Interest and dividends receivable		141,234	577
Total assets	<u>\$ 406,458</u>	<u>\$ 58,695,771</u>	<u>\$ 1,393,774</u>
<b>Net position</b>			
Restricted for:			
Pool participants		\$ 58,695,771	
Individuals, organizations, and other governments	<u>\$ 406,458</u>		<u>\$ 1,393,774</u>
Total net position	<u>\$ 406,458</u>	<u>\$ 58,695,771</u>	<u>\$ 1,393,774</u>

See accompanying notes to financial statements.

**Gila County**  
**Statement of changes in fiduciary net position**  
**Fiduciary funds**  
**Year ended June 30, 2021**

	Private- purpose trust funds	Custodial funds	
		External Investment pool	Other
<b>Additions:</b>			
Contributions from pool participants		\$126,169,877	
Property tax collections for other governments			\$5,157,989
Fines and fees collected for other governments			829,504
Collections for individuals			1,525,412
Investment earnings:			
Interest and dividends	\$ 146	524,183	(2,368)
Net decrease in fair value of investments		(458,912)	(6,881)
Total investment earnings	<u>146</u>	<u>65,271</u>	<u>(9,249)</u>
Inmate collections			557,618
Other	<u>1,205,562</u>		
Total additions	<u>1,205,708</u>	<u>126,235,148</u>	<u>8,061,274</u>
<b>Deductions:</b>			
Distributions to pool participants		115,829,821	
Property tax distributions to other governments			5,162,698
Fines and fees distributions to other governments			906,097
Distributions to individuals			1,449,056
Payments to inmates			519,643
Other	<u>1,005,539</u>		
Total deductions	<u>1,005,539</u>	<u>115,829,821</u>	<u>8,037,494</u>
Net increase in fiduciary net position	200,169	10,405,327	23,780
Net position, July 1, 2020, as restated	<u>206,289</u>	<u>48,290,444</u>	<u>1,369,994</u>
Net position, June 30, 2021	<u>\$ 406,458</u>	<u>\$ 58,695,771</u>	<u>\$ 1,393,774</u>

See accompanying notes to financial statements.

**Gila County**  
**Notes to financial statements**  
**June 30, 2021**

**Note 1 - Summary of significant accounting policies**

Gila County's accounting policies conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

For the year ended June 30, 2021, the County implemented the provisions of GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes. As a result, the County's fiduciary fund financial statements have been modified to reflect the implementation of this new guidance, including reclassifying activities previously reported in agency funds to custodial or governmental funds, as applicable.

**A. Reporting entity**

The County is a general purpose local government that is governed by a separately elected board of three county supervisors. The accompanying financial statements present the activities of the County (the primary government) and its component units.

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

The following table describes the County's component units:

<b>Component unit</b>	<b>Description; criteria for inclusion</b>	<b>Reporting method</b>	<b>For separate financial statements</b>
Gila County Library District	A tax-levying district that 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 responsibility for the component unit.	Blended	Not available
Gila County Street Lighting Districts	A tax-levying district that 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 responsibility for the component unit.	Blended	Not available

**B. Basis of presentation**

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the County as a whole, while the fund financial statements

# Gila County

## Notes to financial statements

### June 30, 2021

focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the information's usefulness.

**Government-wide statements**—Provide information about the primary government (the County) and its component units. The statements include a statement of net position and a statement of activities. These statements report the overall government's financial activities, except for fiduciary activities. They also distinguish between the County's governmental and business-type activities. 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. 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.

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

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

**Fund financial statements**—Provide information about the County's funds, including fiduciary funds and blended component units. Separate statements are presented for the governmental, 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.

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 grants and contributions, result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues along with investment earnings and revenues ancillary activities generate. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered 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.

# Gila County

## Notes to financial statements

### June 30, 2021

The *health services* fund accounts for public health and emergency preparedness. It is funded through various grants.

The *public works fund* accounts for road construction and maintenance of major and nonmajor regional roads. It is funded by a half-cent county sales tax, impact fees, highway user revenues and vehicle license taxes.

The County reports the following major enterprise fund:

The *landfill fund* accounts for the sanitation fee revenues and expenses related to the operation of the County's Buckhead Mesa and Russell Gulch landfills.

The County also reports the following fund types:

The fiduciary funds consist of private-purpose trust funds, which account for assets the County's Public Fiduciary holds in trust for the benefit of various parties, and custodial funds, which account for other fiduciary activities, including the pooled assets the County Treasurer holds and invests on behalf of other governmental entities that are not held in trust and the County Treasurer's receipt and distribution of taxes for other governmental entities.

### **C. Basis of accounting**

The government-wide, proprietary fund, and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

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

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

**Gila County**  
**Notes to financial statements**  
**June 30, 2021**

**D. Cash and investments**

For the statement of cash flows, the County's cash and cash equivalents are considered to be cash on hand, demand deposits, and only those highly liquid investments with a maturity of 3 months or less when purchased.

All other investments are stated at fair value.

**E. Inventories**

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

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

**F. Property tax calendar**

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

**G. Capital assets**

Capital assets are reported at actual cost (or estimated historical cost if historical records are not available). Donated assets are reported at acquisition value.

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 are as follows:

	<b>Capitalization threshold</b>	<b>Depreciation method</b>	<b>Estimated useful life</b>
Land	\$10,000	N/A	N/A
Buildings	10,000	Straight-line	20-40 years
Improvements other than buildings	10,000	Straight-line	15 years
Machinery and equipment	5,000	Straight-line	3-15 years
Infrastructure	10,000	Straight-line	35 years

# Gila County

## Notes to financial statements

### June 30, 2021

#### **H. Deferred outflows and inflows of resources**

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

#### **I. Postemployment benefits**

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **J. Fund balance classifications**

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

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

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

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

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

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

**Gila County**  
**Notes to financial statements**  
**June 30, 2021**

**K. Investment earnings**

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

**L. Compensated absences**

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

Employees may accumulate up to 240 hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount that are unused at fiscal 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.

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.

**M. Miscellaneous Disclosures**

Pursuant to A.R.S. 35-391(B) the County shall disclose in its annual financial report the amount of any reward, discount, incentive, or other financial consideration received by the governmental entity resulting from credit card payments. The County received \$42,804 in card rebates during calendar year 2021.

**Note 2 – Change in accounting principle**

Net position as of July 1, 2020, have been restated as follows for the implementation of GASB Statement No. 84, *Fiduciary Activities*.

	Investment Trust Funds	Private-Purpose Trust Funds	Custodial Funds	
			External Investment Pools	Other
Net position as previously reported at, June 30, 2020	\$47,971,547			
Prior period adjustment – implementation of GASB 84:				
Reclassification of investment pools	(47,971,547)		\$47,971,547	
Reclassification of agency fund activities		\$206,289	318,897	\$1,369,994
Net position as restated, July 1, 2020	<u>\$ 0</u>	<u>\$206,289</u>	<u>\$48,290,444</u>	<u>\$1,369,994</u>

**Gila County**  
**Notes to financial statements**  
**June 30, 2021**

**Note 3 – Stewardship, compliance and accountability**

The following nonmajor special revenue funds had fund deficits in excess of \$1,000 as of June 30, 2021:

<b>Fund</b>	<b>Deficit</b>
Housing	182,105
Aid to Indigent Defense	176,049
Diversion Program CA	171,152
Emergency Response	125,371
Attorney’s Justice Enhancement	109,564
Drug Prosecution Grant 16.738	73,278
Field Trainer	35,961
AG Victim Rights	33,164
Local Probate Assessment Fee	24,368
Crime Victim Assistance Prog	20,845
Sheriff Special Projects	19,449
Superior & JP Crts Security	17,689
Claypool/Lower Miami SLID	12,097
GEST	11,643
Adult Intensive Prob Supervision	10,498
State Aid Enhancement	9,780
ACESF Grant	9,454
Court Appointed Spec Advocate	8,459
Juvenile Standards Probation	7,784
GOHS – DUI Enforcement Equipment	6,220
Conciliation Court Fund	6,149
Arizona Lengthy Trial Fund	3,388
IV D Incentive/SSRE 93.563	1,010

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

**Note 4 - 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, notes, and other evidences of indebtedness; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper issued by corporations organized and doing business in the United States; specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the County Treasurer may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

**Gila County**  
**Notes to financial statements**  
**June 30, 2021**

Credit risk

Statutes have the following requirements for credit risk:

1. Commercial paper must be of prime quality and be rated within the top 2 ratings by a nationally recognized rating agency.
2. Specified bonds, debentures, notes and other evidences of indebtedness that are denominated in United States dollars must be rated "A" or better at the time of purchase by at least 2 nationally recognized rating agencies.
3. Fixed income securities must carry 1 of the 2 highest ratings by Moody's investors service and Standard and Poor's rating service. If only 1 of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk

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

Concentration of credit risk

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

Interest rate risk

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

Foreign currency risk

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

**Deposits**—At June 30, 2021, the carrying amount of the County's deposits was \$27,327,846, and the bank balance was \$28,701,409. The County does not have a formal policy related to custodial credit risk for deposits.

**Investments**—The County had total investments of \$86,357,478 at June 30, 2021. The County categorizes certain investments measured at fair value within the fair value hierarchy established by generally accepted accounting principles, were as follows:

<b>Investments type</b>	<b>Amount</b>	<b>Fair value measurement using Quoted prices in active markets for identical assets (Level 1)</b>
U.S. Treasury securities	\$ 505,156	\$ 505,156
Federal Home Loan Bank	14,484,683	14,484,683
Federal Home Loan Mortgage	15,066,763	15,066,763
Corporate bonds	51,428,368	51,428,368
Negotiable certificates of deposits	250,368	250,368
U.S. Government money market mutual funds	<u>4,622,140</u>	<u>4,622,140</u>
Total	<u>\$86,357,478</u>	<u>\$86,357,478</u>

**Gila County**  
**Notes to financial statements**  
**June 30, 2021**

Investments categorized as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those investments.

**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 investment policy with respect to credit risk.

At June 30, 2021, credit risk for the County’s investments was as follows:

<b>Investment type</b>	<b>Rating</b>	<b>Rating agency</b>	<b>Amount</b>
U.S. agency securities	Aaa	Moody’s	\$29,551,446
Corporate bonds	Aa2	Moody’s	13,310,865
Corporate bonds	Aa3	Moody’s	5,000,000
Corporate bonds	A1	Moody’s	14,239,547
Corporate bonds	A2	Moody’s	12,240,766
Corporate bonds	A3	Moody’s	6,637,190
Negotiable certificates of deposit	Unrated	N/A	250,368
U.S. Government money market mutual funds	Aaa-mf	Moody’s	4,622,140
			<u>\$85,852,322</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 outside party’s possession. The County does not have a formal investment policy with respect to custodial credit risk. At June 30, 2021, the County did not have investments exposed 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 investment policy with respect to concentration of credit risk. The County had investments at June 30, 2021, representing 5 percent or more of the County’s total investments as follows:

<b>Investment</b>	<b>Percent</b>
Federal Home Loan Mortgage	18.43%
Federal Home Loan Bank	17.72%
American Honda	7.81%
Toyota Motor Credit	7.33%
Credit Agricole	6.12%
Bank of America	6.04%
Royal Bank	6.00%
Societe General	5.73%
Wells Fargo Bank	5.05%

**Interest rate risk**—The County does not have a formal investment policy with respect to interest rate risk. At June 30, 2021, the County had the following investments in debt securities:

**Gila County**  
**Notes to financial statements**  
**June 30, 2021**

<b>Investment type</b>	<b>Amount</b>	<b>Weighted average maturity (years)</b>
U.S. agency securities	\$29,551,446	2.24
U.S. Treasury securities	505,156	0.50
Corporate bonds	51,428,368	1.31
Negotiable certificates of deposit	250,368	0.09
U.S. Government money market mutual funds	<u>4,622,140</u>	0.06
Total	<u>\$86,357,478</u>	

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

Cash, deposits, and investments:	
Cash on hand	\$ 6,000
Amount of deposits	27,327,846
Amount of investments	<u>86,357,478</u>
Total	<u>\$113,691,324</u>

Statement of net position

	<b>Governmental activities</b>	<b>Business-type activities</b>	<b>Private-purpose trust funds</b>	<b>Custodial funds</b>		<b>Total</b>
				<b>External investment pools</b>	<b>Other</b>	
Cash, and investments	\$35,892,754	\$ 7,504,839	\$406,458	\$58,554,537	\$1,333,623	\$103,692,211
Cash and investments held by trustee—restricted	<u>4,622,140</u>	<u>5,376,973</u>				<u>9,999,113</u>
Total	<u>\$40,514,894</u>	<u>\$12,881,812</u>	<u>\$406,458</u>	<u>\$58,554,537</u>	<u>\$1,333,623</u>	<u>\$113,691,324</u>

**Note 5 – County Treasurer’s investment pool**

Arizona Revised Statutes require community colleges, school districts, and other local governments to deposit certain public monies with the County Treasurer. The Treasurer has a fiduciary responsibility to administer those and the County's monies under her stewardship. The Treasurer invests, on a pool basis, all idle monies not specifically invested for a fund or program. In addition, the Treasurer determines the fair value of those pooled investments annually at June 30.

The County Treasurer's investment pool is not registered with the Securities and Exchange Commission as an investment company, and there is no regulatory oversight of its operations. The pool's structure does not provide for shares, and the County has not provided or obtained any legally binding guarantees to support the value of the participants' investments.

The Treasurer allocates interest earnings to each of the pool's participants.

The County's deposits and investments are included in the County Treasurer's investment pool, except for \$2,112,315 in deposits and \$9,999,113 of cash and investments held by trustee. Therefore, the deposit and investment risks of the Treasurer's investment pool are substantially the same as the County's deposit and investment risks. See Note 4 for disclosure of the County's deposit and investment risks.

**Gila County**  
**Notes to financial statements**  
**June 30, 2021**

Details of each major investment classification follow:

<b>Investment type</b>	<b>Principal</b>	<b>Interest rates</b>	<b>Maturities</b>	<b>Fair value</b>
U.S. agency securities	\$29,600,000	0.32% - 2.375%	08/21 – 12/24	\$29,551,446
U.S. Treasury securities	500,000	2.125%	12/21	505,156
Corporate bonds	51,393,000	0.32% - 3.75%	07/21 – 01/24	51,428,368
Negotiable certificates of deposit	<u>250,000</u>	1.55%	08/21	<u>250,368</u>
	<u>\$81,743,000</u>			<u>\$81,735,338</u>

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

**Statement of fiduciary net position**

Assets	<u>\$101,829,724</u>
Net position	<u>\$101,829,724</u>
Net position held for:	
Internal participants	\$ 42,903,006
External participants	<u>58,926,718</u>
Total net position	<u>\$101,829,724</u>

**Statement of changes in fiduciary net position**

Total additions	\$214,101,595
Total deductions	<u>195,753,594</u>
Net increase	<u>18,348,001</u>
Net position:	
July 1, 2020	<u>83,481,723</u>
June 30, 2021	<u>\$101,829,724</u>

**Note 6 – Due from other governments**

Amounts due from other governments at June 30, 2021, are shown as follows:

	<b>General fund</b>	<b>Health services fund</b>	<b>Public Works fund</b>	<b>Other governmental funds</b>	<b>Total</b>
State-shared sales tax	\$1,124,645				\$1,124,645
County excise tax	739,657		\$345,721		1,085,378
State-shared vehicle license tax	93,424		56,407		149,831
Highway user revenue			467,012		467,012
Grants and contributions from local, state, and federal governments	105,424	\$1,177,255		\$417,895	1,700,574
Reimbursements for goods or services provided for governmental units	131,931				131,931
Miscellaneous				1,268	1,268
Total	<u>\$2,195,081</u>	<u>\$1,177,255</u>	<u>\$869,140</u>	<u>\$419,163</u>	<u>\$4,660,639</u>

**Gila County**  
**Notes to financial statements**  
**June 30, 2021**

**Note 7 - Capital assets**

Capital asset activity for the year ended June 30, 2021, was as follows:

	<b>Balance July 1, 2020</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2021</b>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,339,625	\$ 44,000		\$ 2,383,625
Construction in progress	4,569,596	6,979,544	\$1,813,039	9,736,101
Total capital assets not being depreciated	<u>6,909,221</u>	<u>7,023,544</u>	<u>1,813,039</u>	<u>12,119,726</u>
Capital assets being depreciated:				
Buildings	24,887,685	1,360,141		26,247,826
Improvements other than buildings	1,440,614	18,955		1,459,569
Machinery and equipment	28,545,263	784,553		29,329,816
Infrastructure	22,319,853	578,544		22,898,397
Total capital assets being depreciated	<u>77,193,415</u>	<u>2,742,193</u>		<u>79,935,608</u>
Less accumulated depreciation for:				
Buildings	14,437,981	1,046,423		15,484,404
Improvements other than buildings	727,972	69,374		797,346
Machinery and equipment	24,332,836	1,223,054		25,555,890
Infrastructure	12,474,996	771,463		13,246,459
Total accumulated depreciation	<u>51,973,785</u>	<u>3,110,314</u>		<u>55,084,099</u>
Total capital assets being depreciated, net	<u>25,219,630</u>	<u>(368,121)</u>		<u>24,851,509</u>
Governmental activities, capital assets, net	<u>\$32,128,851</u>	<u>\$ 6,655,423</u>	<u>\$1,813,039</u>	<u>\$36,971,235</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 3,000,000			\$ 3,000,000
Total capital assets not being depreciated	<u>\$ 3,000,000</u>			<u>\$ 3,000,000</u>
Capital assets being depreciated:				
Buildings	5,172			5,172
Improvements other than buildings	680,834	17,565		698,399
Machinery and equipment	3,483,328	138,632		3,621,960
Infrastructure	169,340			169,340
Total capital assets being depreciated	<u>4,338,674</u>	<u>156,197</u>		<u>4,494,871</u>
Less accumulated depreciation for:				
Buildings	388	517		905
Improvements other than buildings	64,633	34,719		99,352
Machinery and equipment	2,905,942	84,500		2,990,442
Infrastructure	169,340			169,340
Total	<u>3,140,303</u>	<u>119,736</u>		<u>3,260,039</u>
Total capital assets being depreciated, net	<u>1,198,371</u>	<u>36,461</u>		<u>1,234,832</u>
Business-type activities, capital assets, net	<u>\$ 4,198,371</u>	<u>\$ 36,461</u>		<u>\$ 4,234,832</u>

**Gila County**  
**Notes to financial statements**  
**June 30, 2021**

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$1,181,585
Public safety	511,278
Highways and streets	1,303,423
Health	28,744
Welfare	20,770
Sanitation	11,294
Education	1,121
Culture and recreation	<u>52,099</u>
Total governmental activities depreciation expense	<u>\$3,110,314</u>
Business-type activities:	
Sanitation	<u>\$ 119,736</u>

**Note 8 – Construction and other commitments**

The County had major contractual commitments related to various capital projects at June 30, 2021, for the construction of Tonto Creek Bridge, Gordon Canyon Bridge, a new animal shelter, a County complex in Payson, and the improvements to other bridges and roads. At June 30, 2021, the County had spent \$11,549,140 on these projects and had remaining contractual commitments with contractors of \$31.7 million. These projects are being financed by transportation excise tax, General Fund and state and federal grants.

**Note 9 - Long-term liabilities**

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2021:

	<b>Balance</b>			<b>Balance</b>	<b>Due within</b>
	<b>July 1, 2020</b>	<b>Additions</b>	<b>Reductions</b>	<b>June 30, 2021</b>	<b>1 year</b>
<b>Governmental activities</b>					
Pledged revenue obligations payable	\$13,786,806	\$16,855,000	\$ 850,549	\$29,791,257	\$1,219,358
Revenue obligations premium payable	1,714,835		90,255	1,624,580	90,255
Installment purchase contracts payable	196,330		19,965	176,365	20,973
Net pension and other postemployment benefits liability	55,082,079	5,740,142		60,822,221	
Compensated absences payable	<u>1,670,117</u>	<u>1,528,501</u>	<u>1,535,390</u>	<u>1,663,228</u>	<u>1,522,196</u>
Total governmental activities long-term liabilities	<u>\$72,450,167</u>	<u>\$24,123,643</u>	<u>\$2,496,159</u>	<u>\$94,077,651</u>	<u>\$2,852,782</u>
<b>Business-type activities</b>					
Installment purchase contracts payable	\$ 305,228		\$ 79,384	\$ 225,844	\$ 82,225
Net pension and other postemployment benefits liability	612,678	\$ 183,869		796,547	
Compensated absences payable	34,534	32,677	40,597	26,614	25,182
Landfill closure and postclosure care costs payable	<u>3,911,978</u>	<u>224,702</u>		<u>4,136,680</u>	
Total business-type activities long-term liabilities	<u>\$ 4,864,418</u>	<u>\$ 441,248</u>	<u>\$ 119,981</u>	<u>\$ 5,185,685</u>	<u>\$ 107,407</u>

**Gila County**  
**Notes to financial statements**  
**June 30, 2021**

**Series 2020 pledged revenue obligations**—In November 2020, the County issued Series 2020 pledged revenue obligations with interest rates between 0.505 percent and 3.222 percent to fund the unfunded portion of the County's PSPRS pension obligations. The obligations are generally noncallable, with interest payable semiannually.

A summary of the pension obligation funding by plan:

PSPRS Sheriff	\$12,965,640
CORP Detention	2,562,340
CORP Dispatcher	955,704

**Series 2019 pledged revenue and pledged revenue refunding obligations**—In October 2019, the County issued Series 2019 pledged revenue and pledged refunding obligations with interest rates between 2.000 percent and 5.000 percent to finance various capital projects and advance-refund the Series 2009 pledged revenue and pledged revenue refunding obligations outstanding balance of \$4,815,000. Capital projects include building a new animal care and control facility and a multipurpose building; purchasing a building to house the Probation Department and teen center; remodeling the Sheriff's Office, administration offices, and Health Department; and improving the Jail building. The obligations are callable on July 1, 2029, with interest payable semiannually.

**Series 2015 pledged revenue obligations**—During the year ended June 30, 2015, the County issued \$2 million in series 2015 pledged revenue obligations with an interest rate of 0.530-2.700 percent to purchase and remodel the Copper Administrative building, a used modular office building. The obligations are generally noncallable, with interest payable semiannually.

The following pledged revenue and pledged revenue refunding obligations were outstanding at June 30, 2021:

Description	Original amount issued	Interest rates	Maturities	Outstanding June 30, 2021
Gila County Pledged Revenue Obligations, Series 2015	\$ 2,000,000	1.900-2.700%	2022-2025	\$ 846,257
Gila County Pledged Revenue and Pledged Revenue Refunding Obligations, Series 2019	13,220,000	2.000-5.000%	2022-2039	<u>12,410,000</u>
Gila County Pledged Revenue Obligations, Series 2020	16,855,000	0.505-3.222%	2022-2039	<u>16,535,000</u>
Total				<u>\$29,791,257</u>

The following schedule details debt service requirements to maturity for the County's pledged revenue and pledged revenue refunding obligations payable at June 30, 2021:

**Gila County**  
**Notes to financial statements**  
**June 30, 2021**

Year ending June 30	<b>Governmental activities</b>	
	<b>Principal</b>	<b>Interest</b>
2022	\$ 1,219,358	\$ 892,317
2023	1,283,794	876,728
2024	1,403,805	855,608
2025	1,429,300	834,076
2026	1,460,000	803,334
2027-2031	7,955,000	3,350,789
2032-2036	9,290,000	2,008,856
2037-2040	<u>5,750,000</u>	<u>400,377</u>
	<u>\$29,791,257</u>	<u>\$10,022,085</u>

The County has pledged a portion of its excise taxes and state sales tax revenues toward the payment of debt related to revenue obligations outstanding at June 30, 2021. At June 30, 2021, future pledged revenues through final maturity at July 1, 2039, totaled \$39,813,342, consisting of \$29,791,257 for principal and \$10,022,085 for interest. Future principal and interest payments are expected to require less than 12% of pledged revenues. In the current year, total principal and interest paid, and total pledged resources were \$1,605,818 and \$11,288,981, respectively.

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

The amount recognized each year is based on landfill capacity used at the end of each fiscal year. The \$4,136,680 reported as landfill closure and postclosure care liability at June 30, 2021, represents the cumulative amount reported to date based on the approximate use of 76 percent of the estimated capacity of the Buckhead Mesa Landfill and 78 percent of the Russell Gulch Landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$1,240,159 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in fiscal year 2021.

The County has closed four of its landfills as of June 30, 1996 and expects to close the two remaining landfills in 2023 and 2034. The County has planned expansions of these landfills to extend their useful lives. The actual costs may also be higher due to inflation, changes in technology, or changes in regulations.

According to state and federal laws and regulations, the County must comply with the local government financial test requirements that assure the County can meet the costs of landfill closure, postclosure, and corrective action when needed. In order to comply with the local government financial test requirements, the County established a restricted bank account with a cash balance that will cover the estimated landfill closure and postclosure care costs when Russell Gulch and Buckhead Mesa 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. Although the restricted bank account is not one of the allowable mechanisms listed in 40 Code of Federal Regulations (CFR) §258.74, the Arizona Department Environmental Quality approved the calendar year 2020 financial assurance demonstration for the Russell Gulch and Buckhead Mesa landfills and required the County to submit future financial assurance in compliance with 40 CFR §258.74.

**Gila County**  
**Notes to financial statements**  
**June 30, 2021**

**Special use permit**—The Buckhead Mesa Landfill was issued a special use permit from the United States Department of Agriculture (USDA) Forest Service for the purpose of using and maintaining a sanitary landfill, which expired on December 31, 2019 and had annual fees of \$18,998. Gila County applied for a new special use permit with the USDA in September 2019 in accordance with agency regulation and is awaiting determination of its acceptance. During this time the Administrative Procedure Act (APA) at 5 U.S.C. §558(c) provides that when the holder of a license for an ongoing activity has submitted a timely application for a new license in accordance with agency regulations, the license does not expire until the application has been accepted or denied. The USDA Forest Service consented to the continuation of use under the expired authorization which is analogous to a “Tenancy at Will”.

**Compensated absences**—Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During the year ended June 30, 2021, the County paid for compensated absences as follows: 69 percent from the general fund, 6 percent from the health services fund, 9 percent from the public works fund, 2 percent from the landfill fund, and 14 percent from other funds.

**Note 10 - Fund balance classifications of the governmental funds**

The fund balance classifications of the governmental funds as of June 30, 2021, were as follows:

	General fund	Health services fund	Public works fund	Other governmental funds	Total
<b>Fund balances:</b>					
<b>Nonspendable:</b>					
Prepaid items	\$ 38,925	\$ 63		\$ 225	\$ 39,213
Inventories	<u>103,231</u>				<u>103,231</u>
Total nonspendable	<u>142,156</u>	<u>63</u>		<u>225</u>	<u>142,444</u>
<b>Restricted for:</b>					
Public safety				114,512	114,512
Highways and streets			\$12,998,769		12,998,769
Health services		542,214			542,214
Judicial activities				3,559,979	3,559,979
Law enforcement				1,407,623	1,407,623
Education				2,037,239	2,037,239
Sanitation				172,779	172,779
Social services				262,684	262,684
Library				547,998	547,998
Street lighting improvement				19,058	19,058
Capital projects	4,622,140			443,903	5,066,043
Other purposes				<u>176,534</u>	<u>176,534</u>
Total restricted	<u>4,622,140</u>	<u>542,214</u>	<u>12,998,769</u>	<u>8,742,309</u>	<u>26,905,432</u>
<b>Assigned to:</b>					
Contingency reserve	15,000,000				15,000,000
Education	3,599				3,599
Other purposes	<u>1,246,435</u>				<u>1,246,435</u>
Total assigned	<u>16,250,034</u>				<u>16,250,034</u>
<b>Unassigned</b>	<u>(4,966,422)</u>	<u>(1,171,214)</u>	<u>(27,614)</u>	<u>(1,068,501)</u>	<u>(7,233,751)</u>
Total fund balances	<u>\$16,047,908</u>	<u>\$ (628,937)</u>	<u>\$12,971,155</u>	<u>\$ 7,674,033</u>	<u>\$36,064,159</u>

# Gila County

## Notes to financial statements

### June 30, 2021

#### Note 11 - Risk management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For these risks of loss, the County joined and is covered by 3 public entity risk pools: the Arizona Counties Property and Casualty Pool, the Arizona Counties Workers' Compensation Pool, and the Arizona Local Government Employee Benefit Trust.

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 13 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; cyber security 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 \$50,000 per occurrence for liability claims. The County is also responsible for any payments in excess of the maximum coverage of \$300 million per occurrence for property claims and \$15 million per occurrence for liability claims. However, lower limits apply to certain categories of losses. A county must participate in the pool at least 3 years after becoming a member; however, it may withdraw after the initial 3-year period.

The Arizona Counties Workers' Compensation Pool is a public entity risk pool currently composed of 13 member counties. The pool provides member counties with workers' compensation coverage, as law requires, and risk management services. The County is responsible for paying a premium based on an experience-rating formula that allocates pool expenditures and liabilities among the members.

The Arizona Local Government Employee Benefit Trust is a public entity risk pool currently composed of 9 member entities. The pool provides member entities with health, prescription, dental, vision, life, short-term disability, and accidental death benefits for the counties' employees and their dependents. The County is responsible for paying a premium based on enrolled employees and their dependents (and requires its employees to contribute a portion of that premium).

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

#### Note 12 – Operating leases

The County leases office space, computer software, hardware and copier equipment under the provisions of long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of these operating leases were \$119,617 for the year ended June 30, 2021. These operating leases have the remaining noncancelable terms of 4 years. The following future minimum payments were required under the operating lease at June 30, 2021:

**Gila County**  
**Notes to financial statements**  
**June 30, 2021**

Year ending June 30	<b>Governmental Activities</b>
2022	\$33,516
2023	8,030
2024	6,677
2025	<u>6,000</u>
Total minimum lease payments	<u>\$54,223</u>

**Note 13 - Pension and other postemployment benefits**

The County contributes to the pension plans which are component units of the State of Arizona. The County also contributes to various other postemployment benefits (OPEB) plans. At June 30, 2021, the County reported the following aggregate amounts related to pension and OPEB for all plans to which it contributes:

<b>Statement of net position and statement of activities</b>	<b>Governmental activities</b>	<b>Business-type activities</b>	<b>Total</b>
Net OPEB asset	\$ 816,059	\$ 3,037	\$ 819,096
Net pension and OPEB liabilities	60,822,221	796,547	61,618,768
Deferred outflows of resources related to pensions and OPEB	27,744,027	150,034	27,894,061
Deferred inflows of resources related to pensions and OPEB	1,952,996	16,127	1,969,123
Pension and OPEB expenses	7,641,533	159,188	7,800,721

The County's accrued payroll and employee benefits includes \$109,800 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2021. Also, the County reported \$20,617,939 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

The pension plans are described below and the OPEB plans are not further disclosed because of their relative insignificance to the County's financial statements.

**A. Arizona State Retirement System**

**Plan description**—County employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 2. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at [www.azasrs.gov](http://www.azasrs.gov).

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

**Gila County**  
**Notes to financial statements**  
**June 30, 2021**

<b>ASRS</b>	<b>Retirement</b>	
	<b>Initial membership date:</b>	
	<b>Before July 1, 2011</b>	<b>On or after July 1, 2011</b>
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

\*With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member’s death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member’s account balance that includes the member’s contributions and employer’s contributions, plus interest earned.

**Contributions**—In accordance with State statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2021, statute required active ASRS members to contribute at the actuarially determined rate of 12.04 percent for retirement of the members’ annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 11.65 percent for retirement, of the active members’ annual covered payroll. In addition, the County was required by statute to contribute at the actuarially determined rate of 10.14 percent for retirement of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the ASRS would typically fill. The County’s contributions to the pension plan for the year ended June 30, 2021, were \$2,212,015.

During fiscal year 2021, the County paid for ASRS pension contributions as follows: 61 percent from the General Fund, 9 percent from the Health Services Fund, 13 percent from the Public Works Fund, 14 percent from other governmental funds, and 3 percent from the Landfill Fund.

**Pension liability**—At June 30, 2021, the County reported a net pension liability of \$29,935,028 for its proportionate share of the ASRS’ net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2019, to the measurement date of June 30, 2020.

The County’s proportion of the net liability was based on the County’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2020. The

**Gila County**  
**Notes to financial statements**  
**June 30, 2021**

County's proportion measured as of June 30, 2020, was 0.172800 percent, which was a decrease of 0.003700 from its proportion measured as of June 30, 2019.

**Pension expense and deferred outflows/inflows of resources**—For the year ended June 30, 2021, the County recognized a negative pension expense for ASRS of \$3,050,725. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>ASRS</b>	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Differences between expected and actual experience	\$ 270,814	
Net difference between projected and actual earnings on pension plan investments	2,887,269	
Changes in proportion and differences between county contributions and proportionate share of contributions	285,222	\$397,309
County contributions subsequent to the measurement date	<u>2,212,015</u>	
Total	<u>\$5,655,320</u>	<u>\$397,309</u>

The \$2,212,015 reported as deferred outflows of resources related to ASRS pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ending June 30	
2022	\$ 401,102
2023	707,520
2024	1,044,356
2025	893,018

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

<b>ASRS</b>	
Actuarial valuation date	June 30, 2019
Actuarial roll forward date	June 30, 2020
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7–7.2%
Inflation	2.3%
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2016.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of

**Gila County**  
**Notes to financial statements**  
**June 30, 2021**

return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<b>ASRS Asset class</b>	<b>Target allocation</b>	<b>Long-term expected geometric real rate of return</b>
Equity	50%	6.39%
Fixed income-credit	20%	5.44%
Fixed income-interest rate sensitive	10%	0.22%
Real estate	<u>20%</u>	5.85%
Total	<u>100%</u>	

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

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

<b>ASRS</b>	<b>1% Decrease (6.5%)</b>	<b>Current discount rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
County’s proportionate share of the net pension liability	\$40,935,745	\$29,935,028	\$20,738,995

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

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

**Plan descriptions**—County sheriff employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans. A 9-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS

**Gila County**  
**Notes to financial statements**  
**June 30, 2021**

members before July 1, 2017, participate in the agent plan, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plan (PSPRS Tier 3 Risk Pool) which is not further disclosed because of its relative insignificance to the County’s financial statements.

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

The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPRS and CORP plans. The report is available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

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

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

**Gila County**  
**Notes to financial statements**  
**June 30, 2021**

**PSPRS**

**Initial membership date:**

**On or after January 1, 2012  
and before July 1, 2017**

**Before January 1, 2012**

Active members

80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job

**CORP**

**Initial membership date:**

**AOC probation and  
surveillance officers:  
On or after July 1, 2018**

**On or after January 1, 2012  
and before July 1, 2018**

**Before January 1, 2012**

**Retirement and disability**

Years of service and age required to receive benefit

Sum of years and age equals 80  
25 years, any age (dispatchers)  
20 years, any age (all others)  
10 years, age 62

25 years, age 52.5  
10 years, age 62

10 years, age 52.5\*  
10 or more years, age 55

Final average salary is based on

Highest 36 consecutive months of last 10 years

Highest 60 consecutive months of last 10 years

Benefit percent

Normal retirement

2.0% to 2.5% per year of credited service, not to exceed 80%

2.5% per year of credited service, not to exceed 80%

1.25% to 2.25% per year of credited service, not to exceed 80%

Accidental disability retirement

50% or normal retirement if more than 20 years of credited service

50% or normal retirement if more than 25 years of credited service

Total and permanent disability retirement

50% or normal retirement if more than 25 years of credited service

Ordinary disability retirement

2.5% per year of credited service

**Survivor benefit**

Retired members

80% of retired member's pension benefit

Active members

40% of average monthly compensation or 100% of average monthly compensation if death was the result of injuries received on the job. If there is no surviving spouse or eligible children, the beneficiary is entitled to 2 times the member's contributions.

\*With actuarially reduced benefits.

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

**Employees covered by benefit terms**—At June 30, 2021, the following employees were covered by the agent pension plans' benefit terms:

	<b>PSPRS Sheriff</b>	<b>CORP Detention</b>	<b>CORP Dispatchers</b>
Inactive employees or beneficiaries currently receiving benefits	33	14	3
Inactive employees entitled to but not yet receiving benefits	9	33	4
Active employees	<u>29</u>	<u>38</u>	<u>3</u>
Total	<u>71</u>	<u>85</u>	<u>10</u>

**Gila County**  
**Notes to financial statements**  
**June 30, 2021**

**Contributions**—State statutes establish the pension contribution requirements for active PSPRS and CORP employees. In accordance with State statutes, annual actuarial valuations determine employer contribution requirements for PSPRS and CORP pension benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2021, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	<b>Active member—pension</b>	<b>County—pension</b>
PSPRS Sheriff	7.65 – 11.65%	46.21%
CORP Detention	8.41	14.61
CORP Dispatchers	7.96	56.85
CORP AOC	8.41	33.58

In addition, statute required the County to contribute at the actuarially determined rate indicated below of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the PSPRS or CORP would typically fill and employees participating in the PSPRS Tier 3 Risk Pool and PSPDCRP members in addition to the County’s required contributions to the PSPRS Tier 3 Risk Pool and PSPDCRP.

	<b>Pension</b>
PSPRS Sheriff	35.84%
CORP Detention	7.69
CORP Dispatchers	<u>52.19</u>
CORP AOC	<u>27.84</u>

The County’s contributions to the pension plans for the year ended June 30, 2021, were:

<b>PSPRS Sheriff</b>	<b>CORP Detention</b>	<b>CORP Dispatchers</b>	<b>CORP AOC</b>
\$637,268	\$200,833	\$33,274	\$375,822

During fiscal year 2021, the County paid for PSPRS and CORP pension contributions as follows: 77 percent from the General Fund and 23 percent from other governmental funds.

Additionally, the County issued pledged revenue obligations to fund the unfunded portion of the PSPRS pension obligation as follows:

PSPRS Sheriff	\$12,965,640
CORP Detention	2,562,340
CORP Dispatcher	955,704

These amounts were contributed to the plans during the fiscal year. See also Note 9 for more information.

**Gila County**  
**Notes to financial statements**  
**June 30, 2021**

**Pension liability**—At June 30, 2021, the County reported the following net pension liabilities:

	<b>Net pension liability</b>
PSPRS Sheriff	\$13,965,367
CORP Detention	2,838,662
CORP Dispatchers	1,033,978
CORP AOC (County’s proportionate share)	4,428,706

The net liabilities were measured as of June 30, 2020, and the total liability used to calculate the net liability was determined by and actuarial valuation as of that date.

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

**PSPRS and CORP—pension**

Actuarial valuation date	June 30, 2020
Actuarial cost method	Entry age normal
Investment rate of return	7.3%
Wage inflation	3.5%
Price inflation	2.5%
Cost-of-living adjustment	1.75%
Mortality rates	PubS-2010 tables

Actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

The long-term expected rate of return on PSPRS and CORP pension plan investments was determined to be 7.3 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<b>PSPRS and CORP</b>	<b>Target</b>	<b>Long-term expected</b>
<b>Asset class</b>	<b>allocation</b>	<b>geometric real rate</b>
		<b>of return</b>
U.S. public equity	23%	4.93%
International public equity	15%	6.09%
Global private equity	18%	8.42%
Other assets (capital appreciation)	7%	5.61%
Core bonds	2%	0.22%
Private credit	22%	5.31%
Diversifying strategies	12%	3.22%
Cash – Mellon	1%	(0.60%)
Total	<u>100%</u>	

**Pension discount rate**—At June 30, 2020, the discount rate used to measure the PSPRS and CORP total pension liabilities was 7.3 percent. The projection of cash flows used to determine the PSPRS and CORP

**Gila County**  
**Notes to financial statements**  
**June 30, 2021**

discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in the net pension liability**

**PSPRS Sheriff**

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a) – (b)
Balances at June 30, 2020	\$20,643,301	\$ 7,795,365	\$12,847,936
Changes for the year:			
Service cost	375,788		375,788
Interest on the total pension liability	1,494,819		1,494,819
Differences between expected and actual experience in the measurement of the pension liability	966,761		966,761
Contributions—employer		1,437,325	(1,437,325)
Contributions—employee		187,610	(187,610)
Net investment income		103,435	(103,435)
Benefit payments, including refunds of employee contributions	(1,084,226)	(1,084,226)	
Administrative expense		(8,433)	8,433
Net changes	<u>1,753,142</u>	<u>635,711</u>	<u>1,117,431</u>
Balances at June 30, 2021	<u>\$22,396,443</u>	<u>\$ 8,431,076</u>	<u>\$13,965,367</u>

**CORP Detention**

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a) – (b)
Balances at June 30, 2020	\$7,403,871	\$5,116,212	\$2,287,659
Adjustment to beginning of year		(71)	71
Changes for the year:			
Service cost	276,628		276,628
Interest on the total pension liability	549,394		549,394
Differences between expected and actual experience in the measurement of the pension liability	334,856		334,856
Contributions—employer		274,711	(274,711)
Contributions—employee		149,047	(149,047)
Net investment income		148,934	(148,934)
Benefit payments, including refunds of employee contributions	(309,115)	(309,115)	
Administrative expense		(5,764)	5,764
Other changes		43,018	(43,018)
Net changes	<u>851,763</u>	<u>300,831</u>	<u>550,932</u>
Balances at June 30, 2021	<u>\$8,255,634</u>	<u>\$5,416,972</u>	<u>\$2,838,662</u>

**Gila County**  
**Notes to financial statements**  
**June 30, 2021**

**CORP Dispatchers**

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a) – (b)
Balances at June 30, 2020	<u>\$2,205,825</u>	<u>\$1,286,720</u>	<u>\$ 919,105</u>
Changes for the year:			
Service cost	17,350		17,350
Interest on the total pension liability	159,153		159,153
Differences between expected and actual experience in the measurement of the pension liability	39,798		39,798
Contributions—employer		51,724	(51,724)
Contributions—employee		11,249	(11,249)
Net investment income		40,003	(40,003)
Benefit payments, including refunds of employee contributions	(85,997)	(85,997)	
Administrative expense		(1,548)	1,548
Net changes	<u>130,304</u>	<u>15,431</u>	<u>114,873</u>
Balances at June 30, 2021	<u>\$2,336,129</u>	<u>\$1,302,151</u>	<u>\$1,033,978</u>

The County's proportion of the CORP AOC net pension liability was based on the County's actual contributions to the plan relative to the total of all participating counties' actual contributions for the year ended June 30, 2020. The County's proportion measured as of June 30, 2020, was 0.927154 percent, which was an increase of 0.014865 from its proportion measured as of June 30, 2019.

**Sensitivity of the County's net pension liability to changes in the discount rate**—The following table presents the County's net pension liabilities calculated using the discount rate of 7.3 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate:

	1% Decrease (6.3%)	Current discount rate (7.3%)	1% Increase (8.3%)
PSPRS Sheriff			
Net pension liability	\$16,832,237	\$13,965,367	\$11,610,441
CORP Detention			
Net pension liability	\$4,048,772	\$2,838,662	\$1,859,807
CORP Dispatchers			
Net pension liability	\$1,289,017	\$1,033,978	\$819,996
CORP AOC			
County's proportionate share of the net pension liability	\$5,625,881	\$4,428,706	\$3,450,764

**Pension plan fiduciary net position**—Detailed information about the pension plans' fiduciary net position is available in the separately issued PSPRS and CORP financial reports.

**Pension expense**—For the year ended June 30, 2021, the County recognized the following pension expense:

**Gila County**  
**Notes to financial statements**  
**June 30, 2021**

	<b>Pension expense</b>
PSPRS Sheriff	\$1,634,781
CORP Detention	565,655
CORP Dispatchers	95,739
CORP AOC (County's proportionate share)	363,817

**Pension deferred outflows/inflows of resources**—At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PSPRS Sheriff</b>	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Differences between expected and actual experience	\$ 725,070	\$253,676
Changes of assumptions or other inputs	293,395	
Net difference between projected and actual earnings on pension plan investments	446,701	
County contributions subsequent to the measurement date	<u>13,615,162</u>	
Total	<u>\$15,080,328</u>	<u>\$253,676</u>
<b>CORP Detention</b>	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Differences between expected and actual experience	\$ 324,120	\$97,674
Changes of assumptions or other inputs	144,066	
Net difference between projected and actual earnings on pension plan investments	213,858	
County contributions subsequent to the measurement date	<u>2,763,173</u>	
Total	<u>\$3,445,217</u>	<u>\$97,674</u>
<b>CORP Dispatchers</b>	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Differences between expected and actual experience	\$ 52,017	\$7,083
Changes of assumptions or other inputs	14,176	
Net difference between projected and actual earnings on pension plan investments	48,455	
County contributions subsequent to the measurement date	<u>988,978</u>	
Total	<u>\$1,103,626</u>	<u>\$7,083</u>

**Gila County**  
**Notes to financial statements**  
**June 30, 2021**

<b>CORP AOC</b>	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Differences between expected and actual experience	\$ 461,277	\$ 52,679
Changes of assumptions or other inputs	142,423	
Net difference between projected and actual earnings on pension plan investments	191,986	
Changes in proportion and differences between county contributions and proportionate share of contributions	114,752	296,663
County contributions subsequent to the measurement date	<u>375,822</u>	
Total	<u>\$1,286,260</u>	<u>\$349,342</u>

The amounts reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<b>PSPRS Sheriff</b>	<b>CORP Detention</b>	<b>CORP Dispatchers</b>	<b>CORP AOC</b>
Year ending June 30				
2022	\$343,758	\$154,251	\$64,883	\$ 9,232
2023	399,894	234,457	16,316	180,440
2024	370,827	149,958	15,760	257,913
2025	97,011	45,704	10,606	113,511

**PSPDCRP plan**—County sheriff employees, County detention officers, County dispatchers and AOC probation, surveillance, and juvenile detention officers who are not members of PSPRS or CORP participate in the PSPDCRP. The PSPDCRP is a defined contribution pension plan. The PSPRS Board of Trustees governs the PSPDCRP according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.1. Benefit terms, including contribution requirements, are established by State statute.

For the year ended June 30, 2021, active PSPDCRP members were required by statute to contribute at least 9 percent (County sheriff employees) or 5 percent (County detention officers, County dispatchers, and AOC probation, surveillance, and juvenile detention officers) of the members' annual covered payroll, and the County was required by statute to contribute 9 percent or 5 percent, respectively, of active members' annual covered payroll to an individual employee account. Employees are immediately vested in their own contributions and the earnings on those contributions. Employees vest in a portion of the County's contributions each year as set forth in statute. The plan retains nonvested County contributions when forfeited because of employment terminations. For the year ended June 30, 2021, the County recognized pension expense of \$42,416.

**C. Elected Officials Retirement Plan**

**Plan description**—Elected officials and judges participate in the Elected Officials Retirement Plan (EORP), ASRS, or the Elected Officials Defined Contribution Retirement System (EODCRS). EORP

**Gila County**  
**Notes to financial statements**  
**June 30, 2021**

administers a cost-sharing multiple-employer defined benefit pension plan for elected officials and judges who were members of the plan on December 31, 2013. This plan was closed to new members as of January 1, 2014. The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the EORP plans. The report is available on PSPRS's website at [www.psprs.com](http://www.psprs.com).

**Benefits provided**—The EORP provides retirement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average yearly compensation, and service credit as follows:

EORP	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
<b>Retirement and disability</b>		
Years of service and age required to receive benefit	20 years, any age 10 years, age 62 5 years, age 65 5 years, any age* any years and age if disabled	10 years, age 62 5 years, age 65 any years and age if disabled
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent		
Normal retirement	4% per year of service, not to exceed 80%	3% per year of service, not to exceed 75%
Disability retirement	80% with 10 or more years of service 40% with 5 to 10 years of service 20% with less than 5 years of service	75% with 10 or more years of service 37.5% with 5 to 10 years of service 18.75% with less than 5 years of service
Survivor benefit		
Retired members	75% of retired member's benefit	50% of retired member's benefit
Active members and other inactive members	75% of disability retirement benefit	50% of disability retirement benefit

\* With reduced benefits of 0.25% for each month early retirement precedes the member's normal retirement age, with a maximum reduction of 30%.

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan.

**Contributions**—State statutes establish active member and employer contribution requirements. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability and designates a portion of certain court fees for the EORP. For the year ended June 30, 2021, statute required active EORP members to contribute 7 or 13 percent of the members' annual covered payroll and the County to contribute at the actuarially determined rate of 61.43 percent of all active EORP members' annual covered payroll. Also, statute required the County to contribute 49.39 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 55.43 percent to EORP of the annual covered payroll of elected officials and judges who were EODCRS members, in addition to the County's required contributions to ASRS and EODCRS for these elected officials and judges. In addition, statute

**Gila County**  
**Notes to financial statements**  
**June 30, 2021**

required the County to contribute 39.72 percent of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the EORP would typically fill. The County's contributions to the pension plan for the year ended June 30, 2021, were \$613,741.

During fiscal year 2021, the County paid for EORP pension contributions as follows: 100 percent from the General Fund.

**Pension liability**—At June 30, 2021, the County reported a liability for its proportionate share of the EORP's net pension liability that reflected a reduction for the County's proportionate share of the State's appropriation for EORP. The amount the County recognized as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the County were as follows:

County's proportionate share of the EORP net pension liability	\$ 9,248,701
State's proportionate share of the EORP net pension liability associated with the County	<u>879,016</u>
Total	<u>\$10,127,717</u>

The net liabilities were measured as of June 30, 2020, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date.

The County's proportion of the net pension liability was based on the County's required contributions to the plan relative to the total of all participating employers' required contributions for the year ended June 30, 2020. The County's proportion measured as of June 30, 2020, was 1.3702560 percent, which was a decrease of 0.1311680 from its proportion measured as of June 30, 2019.

**Pension expense and deferred outflows/inflows of resources**—For the year ended June 30, 2021, the County recognized pension expense for EORP of \$2,071,569 and revenue of \$241,832 for the County's proportionate share of the State's appropriation to EORP and the designated court fees. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>EORP</b>	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Differences between expected and actual experience		\$ 7,591
Net difference between projected and actual earnings on pension plan investments	\$178,231	
Changes in proportion and differences between county contributions and proportionate share of contributions		433,688
County contributions subsequent to the measurement date	<u>613,741</u>	
Total	<u>\$791,972</u>	<u>\$441,279</u>

The \$613,741 reported as deferred outflows of resources related to EORP pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized in pension expense as follows:

**Gila County**  
**Notes to financial statements**  
**June 30, 2021**

Year ending June 30	
2022	\$(416,867)
2023	57,442
2024	56,199
2025	40,178

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

**EORP**

Actuarial valuation date	June 30, 2020
Actuarial cost method	Entry age normal
Investment rate of return	7.3%
Wage inflation	3.75%
Price inflation	2.5%
Cost-of-living adjustment	1.75%
Mortality rates	PubG-2010 tables

Actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

The long-term expected rate of return on EORP pension plan investments was determined to be 7.3 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<b>EORP</b>	<b>Target allocation</b>	<b>Long-term expected geometric real rate of return</b>
<b>Asset class</b>		
U.S. public equity	23%	4.93%
International public equity	15%	6.09%
Global private equity	18%	8.42%
Other assets (capital appreciation)	7%	5.61%
Core bonds	2%	0.22%
Private credit	22%	5.31%
Diversifying strategies	12%	3.22%
Cash – Mellon	<u>1%</u>	(0.60)%
Total	<u>100%</u>	

**Discount rate**—At June 30, 2020, the discount rate used to measure the EORP total pension liability was 7.3 percent. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the actuarially determined rates, and State contributions will be made as currently required by statute. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan

**Gila County**  
**Notes to financial statements**  
**June 30, 2021**

investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the County’s proportionate share of the EORP net pension liability to changes in the discount rate**—The following table presents the County’s proportionate share of the net pension liability calculated using the discount rate of 7.3 percent, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate:

EORP	1% Decrease (6.3%)	Current Discount Rate (7.3%)	1% Increase (8.3%)
County’s proportionate share of the net pension liability	\$10,550,843	\$9,248,701	\$8,135,332

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

**EODCRS plan**—Elected officials and judges who are not members of EORP or ASRS participate in the EODCRS. The EODCRS is a defined contribution pension plan. The PSPRS Board of Trustees governs the EODCRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 3.1. Benefit terms, including contribution requirements, are established by State statute.

For the year ended June 30, 2021, active EODCRS members were required by statute to contribute 8 percent of the members’ annual covered payroll, and the County was required by statute to contribute 6 percent of active members’ annual covered payroll to an individual employee account. Employees are immediately vested in their own contributions and the County’s contributions to the individual employee account and the earnings on those contributions. For the year ended June 30, 2021, the County recognized pension expense of \$15,357.

**Note 14 - Interfund balances and activity**

**Interfund receivables and payables**—Interfund balances at June 30, 2021, were as follows:

	Payable to			Total
	General Fund	Landfill Fund	Other Governmental Funds	
<b>Payable from</b>				
General Fund		\$1,753	\$65,282	\$ 67,035
Health Services Fund	\$612,976			612,976
Public Works Fund	44,865			44,865
Landfill Fund	18,620			18,620
Other Governmental Funds	<u>51,398</u>			<u>51,398</u>
Total	<u>\$727,859</u>	<u>\$1,753</u>	<u>\$65,282</u>	<u>\$794,894</u>

The interfund balances resulted from time lags between the dates that interfund goods and services are provided or reimbursable expenditures occur and the dates payments are made.

**Gila County**  
**Notes to financial statements**  
**June 30, 2021**

**Interfund transfers**—Interfund transfers for the year ended June 30, 2021, were as follows:

	Transfers to			Total
	Health Services Fund	Public Works Fund	Other Governmental Funds	
Transfers from General Fund	\$1,822,036	\$17,647	\$4,071,937	\$5,911,620

The principal purpose of interfund transfers was to provide grant matches or to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## Other Required Supplementary Information

**Gila County**  
**Required supplementary information**  
**Budgetary comparison schedule**  
**General Fund**  
**Year ended June 30, 2021**

	<u>Original and final budgeted amounts</u>	<u>Actual amounts</u>	<u>Variance with final budget</u>
Revenues:			
Taxes	\$ 26,446,650	\$ 27,496,107	\$ 1,049,457
Licenses and permits	500,434	727,042	226,608
Intergovernmental	12,181,212	18,048,641	5,867,429
Charges for services	1,083,058	1,409,587	326,529
Fines and forfeitures	422,247	411,893	(10,354)
Donations and contributions	71	109	38
Investment earnings	180,078	187,893	7,815
Miscellaneous	55,500	420,888	365,388
Total revenues	<u>40,869,250</u>	<u>48,702,160</u>	<u>7,832,910</u>
Expenditures:			
Current:			
General government			
Administrative services	243,639	250,479	(6,840)
Assessor	1,199,178	945,674	253,504
Board of supervisors (including fund 1870)	2,317,478	1,853,220	464,258
Community development	1,311,933	1,144,210	167,723
Computer services	1,097,319	1,486,075	(388,756)
Elections	477,938	455,801	22,137
Facilities management	2,071,137	2,280,654	(209,517)
Finance/purchasing/payroll	455,155	582,190	(127,035)
General administration	837,384	1,572,360	(734,976)
Personnel	834,021	640,064	193,957
Professional services	1,032,934	628,812	404,122
Recorder	775,703	531,090	244,613
Treasurer	579,569	501,310	78,259
Contingency reserve	338,000		338,000
Taxpayer stabilization (funds 1003, 1004 & 1006)	15,000,000		15,000,000

(Continued)

**Gila County**  
**Required supplementary information**  
**Budgetary comparison schedule**  
**General Fund**  
**Year ended June 30, 2021**  
**(Continued)**

	<u>Original and final budgeted amounts</u>	<u>Actual amounts</u>	<u>Variance with final budget</u>
Judicial services			
County attorney	\$ 2,801,895	\$ 2,430,751	\$ 371,144
Constable—Globe	186,073	207,466	(21,393)
Constable—Payson	223,496	218,344	5,152
Justice Court—Globe	759,854	719,164	40,690
Justice Court—Payson	681,847	592,161	89,686
Indigent legal defense	1,312,340	1,296,083	16,257
Child support enforcement	382,969	80,188	302,781
Clerk of the superior court	1,506,576	1,271,236	235,340
Superior Court—Division I	169,975	167,025	2,950
Superior Court—Division II	164,144	163,097	1,047
Superior Court—General	<u>973,149</u>	<u>895,425</u>	<u>77,724</u>
Total general government	<u>37,733,706</u>	<u>20,912,879</u>	<u>16,820,827</u>
Public safety			
County sheriff (facilities management)	14,466,776	11,985,971	2,480,805
Emergency services (including GIS Rural Addressing)	419,156	433,841	(14,685)
Flood plain management	239,640	223,861	15,779
Juvenile detention	799,966	561,902	238,064
Probation	<u>1,133,752</u>	<u>989,271</u>	<u>144,481</u>
Total public safety	<u>17,059,290</u>	<u>14,194,846</u>	<u>2,864,444</u>
Health	<u>2,535,817</u>	<u>                    </u>	<u>2,535,817</u>
Welfare			
AHCCCS contributions	4,033,000	3,904,062	128,938
Community agencies	338,000	363,000	(25,000)
Public fiduciary	<u>515,729</u>	<u>497,888</u>	<u>17,841</u>
Total welfare	<u>4,886,729</u>	<u>4,764,950</u>	<u>121,779</u>

(Continued)

See accompanying notes to budgetary comparison schedule.

**Gila County**  
**Required supplementary information**  
**Budgetary comparison schedule**  
**General Fund**  
**Year ended June 30, 2021**  
**(Concluded)**

	<u>Original and final budgeted amounts</u>	<u>Actual amounts</u>	<u>Variance with final budget</u>
Education			
School superintendent	\$ 421,674	\$ 1,264,601	\$ (842,927)
Total education	<u>421,674</u>	<u>1,264,601</u>	<u>(842,927)</u>
Capital Outlay (funds 1007, 1114 & 1115)	<u>9,753,970</u>	<u>7,571,997</u>	<u>2,181,973</u>
Pension savings anticipated	<u>(1,300,000)</u>	<u></u>	<u></u>
Debt service	<u>1,032,934</u>	<u>1,977,763</u>	<u>(944,829)</u>
Total expenditures	<u>72,124,120</u>	<u>50,687,036</u>	<u>22,737,084</u>
Excess (deficiency) of revenues over expenditures	<u>(31,254,870)</u>	<u>(1,984,876)</u>	<u>29,269,994</u>
Other financing sources (uses)			
Pledged revenue obligations proceeds	12,409,826	16,855,000	4,445,174
PSPRS payment	(12,409,826)	(16,483,684)	(4,073,858)
Proceeds from sale of capital assets	25,000		(25,000)
Indirect costs	147,501	186,480	38,979
Transfers out	<u>(916,491)</u>	<u>(5,911,620)</u>	<u>(4,995,129)</u>
Total other financing sources (uses)	<u>(743,990)</u>	<u>(5,353,824)</u>	<u>(4,609,834)</u>
Net change in fund balances	(31,998,860)	(7,338,700)	24,660,160
Fund balances, July 1, 2020	31,998,860	23,372,006	(8,626,854)
Decrease in reserve for inventories	<u></u>	<u>14,602</u>	<u>14,602</u>
Fund balances, June 30, 2021	<u>\$ -</u>	<u>\$ 16,047,908</u>	<u>\$ 16,047,908</u>

See accompanying notes to budgetary comparison schedule.

**Gila County**  
**Required supplementary information**  
**Budgetary comparison schedule**  
**Health Services Fund**  
**Year ended June 30, 2021**

	<u>Original and final budgeted amounts</u>	<u>Actual amounts</u>	<u>Variance with final budget</u>
Revenues:			
Licenses and permits	\$ 75,000	\$ 114,018	\$ 39,018
Intergovernmental	2,137,578	1,807,065	(330,513)
Charges for services	309,616	115,523	(194,093)
Donations and contributions		10,910	10,910
Miscellaneous	<u>26,000</u>	<u>215,499</u>	<u>189,499</u>
Total revenues	<u>2,548,194</u>	<u>2,263,015</u>	<u>(285,179)</u>
Expenditures:			
Health	<u>4,145,903</u>	<u>4,552,631</u>	<u>(406,728)</u>
Total expenditures	<u>4,145,903</u>	<u>4,552,631</u>	<u>(406,728)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,597,709)</u>	<u>(2,289,616)</u>	<u>(691,907)</u>
Other financing sources (uses):			
Transfers in	<u>                    </u>	<u>1,822,036</u>	<u>(1,822,036)</u>
Total other financing sources and uses	<u>                    </u>	<u>1,822,036</u>	<u>(1,822,036)</u>
Net change in fund balances	(1,597,709)	(467,580)	1,130,129
Fund balances, July 1, 2020	1,597,709	(161,357)	(1,759,066)
Fund balances, June 30, 2021	<u>\$ -</u>	<u>\$ (628,937)</u>	<u>\$ (628,937)</u>

See accompanying notes to budgetary comparison schedule.

**Gila County**  
**Required supplementary information**  
**Budgetary comparison schedule**  
**Public Works Fund**  
**Year ended June 30, 2021**

	<u>Original and final budgeted amounts</u>	<u>Actual amounts</u>	<u>Variance with final budget</u>
Revenues:			
Taxes	\$ 1,213,497	\$ 1,935,516	\$ 722,019
Licenses and permits	20,950	4,826	(16,124)
Intergovernmental	5,053,126	6,329,475	1,276,349
Charges for services		44,170	44,170
Fines and forfeits		266	266
Investment earnings	50,281	14,315	(35,966)
Miscellaneous	<u>30,394</u>	<u>66,375</u>	<u>35,981</u>
Total revenues	<u>6,368,248</u>	<u>8,394,943</u>	<u>2,026,695</u>
Expenditures:			
Highways and streets	<u>9,302,319</u>	<u>6,193,964</u>	<u>3,108,355</u>
Total expenditures	<u>9,302,319</u>	<u>6,193,964</u>	<u>3,108,355</u>
Excess (deficiency) of revenues over expenditures	<u>(2,934,071)</u>	<u>2,200,979</u>	<u>5,135,050</u>
Other financing sources (uses):			
Transfers in		<u>17,647</u>	<u>(17,647)</u>
Total other financing sources and uses		<u>17,647</u>	<u>(17,647)</u>
Net change in fund balances	(2,934,071)	2,218,626	5,152,697
Fund balances, July 1, 2020	2,934,071	10,752,529	7,818,458
Fund balances, June 30, 2020	<u>\$ -</u>	<u>\$ 12,971,155</u>	<u>\$ 12,971,155</u>

See accompanying notes to budgetary comparison schedule.

**Gila County**  
**Required supplementary information**  
**Notes to budgetary comparison schedules**  
**June 30, 2021**

**Note 1 - Budgeting and budgetary control**

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

Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the Board of Supervisors' approval.

The County has adopted budgets in accordance with A.R.S. requirements for the general fund, special revenue funds, capital project funds, and debt service funds, with the exception of the superintendent of schools special revenue fund. In accordance with A.R.S. § 15-301(C), the County School Superintendent is designated as a local education agency (LEA). Revenues and expenditures for the LEA for Gila County Regional School District #49 and Gila County special education services are not included in the adopted budget of the County's Board of Supervisors.

**Note 2 – Budgetary basis of accounting**

The County's budget is prepared on a basis consistent with generally accepted accounting principles, except for the following unbudgeted items.

	<b>General fund</b>
Deficiency of revenues over expenditures from the statement of revenues, expenditures, and changes in fund balances	\$(18,282,080)
Indirect cost expenditures allocated to other county funds	(186,480)
Payments from pension bond budgeted as other financing source	<u>16,483,684</u>
Deficiency of revenues over expenditures from the budgetary comparison schedule	<u>\$ (1,984,876)</u>

**Note 3 - Expenditures in excess of appropriations**

For the year ended June 30, 2021, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

<b>Fund/department</b>	<b>Excess</b>
General fund:	
Administrative services	\$ 6,840
Computer services	388,756
Facilities management	209,517
Finance/purchasing/payroll	127,035
General administration	734,976

**Gila County**  
**Required supplementary information**  
**Notes to budgetary comparison schedules**  
**June 30, 2021**

<b>Fund/department</b>	<b>Excess</b>
Constable – Globe	\$ 21,393
Emergency services (including GIS Rural Addressing)	14,685
Community agencies	25,000
School superintendent	\$42,927
Debt service	944,829
Health services fund:	
Health	406,728

The excesses were primarily the result of unexpected expenditures or expenditures made as a result of unanticipated revenues, or both. When departments exceed their annual budget, the County Finance Department closely monitors departmental spending and discusses the overage with the 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.

During fiscal year 2021, the County School Superintendent's Office received national forest monies of \$829,069 and passed them through to the school districts, which was not budgeted, and accounted for the entire excess amount.

**Gila County**  
**Required supplementary information**  
**Schedule of the County's proportionate share of the net pension liability**  
**Cost-sharing pension plans**  
**June 30, 2021**

	Reporting fiscal year (Measurement date)							2014 through 2012
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
<b>Arizona State Retirement System</b>								
County's proportion of the net pension liability	0.17%	0.18%	0.17%	0.17%	0.17%	0.18%	0.19%	
County's proportionate share of the net pension liability	\$29,935,028	\$25,685,713	\$23,817,800	\$25,870,469	\$28,096,646	\$28,452,591	\$28,415,012	
County's covered payroll	\$19,024,801	\$18,326,508	\$17,311,838	\$16,996,911	\$16,464,044	\$16,959,971	\$17,866,484	Information not available
County's proportionate share of the net pension liability as a percentage of its covered payroll	157.35%	140.16%	137.58%	152.21%	170.65%	167.76%	159.04%	
Plan fiduciary net position as a percentage of the total pension liability	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%	
<b>Corrections Officer Retirement Plan—Administrative Office of the Courts</b>								
	Reporting fiscal year (Measurement date)							
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2012
County's proportion of the net pension liability	0.93%	0.91%	0.88%	0.97%	1.31%	1.38%	1.55%	
County's proportionate share of the net pension liability	\$ 4,428,706	\$ 3,849,317	\$ 3,161,337	\$ 3,907,213	\$ 3,704,368	\$ 3,344,124	\$ 3,475,563	
County's covered payroll	\$ 1,107,501	\$ 1,106,855	\$ 1,000,857	\$ 1,143,874	\$ 1,452,609	\$ 1,539,683	\$ 1,667,965	Information not available
County's proportionate share of the net pension liability as a percentage of its covered payroll	399.88%	347.77%	315.86%	341.58%	255.01%	217.20%	208.37%	
Plan fiduciary net position as a percentage of the total pension liability	50.07%	51.99%	53.72%	49.21%	54.81%	57.89%	58.59%	
<b>Elected Officials Retirement Plan</b>								
	Reporting fiscal year (Measurement date)							
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2012
County's proportion of the net pension liability	1.37%	1.50%	1.14%	1.12%	1.21%	1.26%	1.29%	
County's proportionate share of the net pension liability	\$ 9,248,701	\$ 9,957,102	\$ 7,203,131	\$13,627,485	\$11,445,909	\$ 9,861,197	\$ 8,628,523	
State's proportionate share of the net pension liability associated with the County	879,016	935,865	1,234,210	2,828,330	2,363,282	3,074,311	2,645,585	
Total	\$10,127,717	\$10,892,967	\$ 8,437,341	\$16,455,815	\$13,809,191	\$12,935,508	\$11,274,108	Information not available
County's covered payroll	\$ 1,096,965	\$ 1,072,272	\$ 990,519	\$ 959,940	\$ 977,941	\$ 1,134,316	\$ 1,182,686	
County's proportionate share of the net pension liability as a percentage of its covered payroll	843.12%	928.60%	727.21%	1419.62%	1170.41%	869.35%	729.57%	
Plan fiduciary net position as a percentage of the total pension liability	29.80%	30.14%	30.36%	19.66%	23.42%	28.32%	31.91%	

See accompanying notes to pension plan schedules.

**Gila County**  
**Required supplementary information**  
**Schedule of changes in the County's net pension**  
**liability and related ratios**  
**Agent pension plans**  
**June 30, 2021**

	Reporting fiscal year (Measurement date)							
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2012
<b>PSPRS Sheriff</b>								
Total pension liability								
Service cost	\$ 375,788	\$ 435,514	\$ 385,131	\$ 502,240	\$ 403,538	\$ 299,129	\$ 367,275	
Interest on the total pension liability	1,494,819	1,448,251	1,411,326	1,326,313	1,325,851	1,290,430	1,044,461	
Changes of benefit terms				309,993	134,564		451,808	
Differences between expected and actual experience in the measurement of the pension liability	966,761	(230,529)	(369,481)	(278,317)	(416,800)	(29,030)	94,471	
Changes of assumptions or other inputs		426,495		878,607	632,607		2,180,190	
Benefit payments, including refunds of employee contributions	(1,084,226)	(1,143,743)	(1,198,129)	(1,386,848)	(1,282,671)	(1,040,337)	(901,225)	
Net change in total pension liability	1,753,142	935,988	228,847	1,351,988	797,089	520,192	3,236,980	
Total pension liability—beginning	20,643,301	19,707,313	19,478,466	18,126,478	17,329,389	16,809,197	13,572,217	
Total pension liability—ending (a)	<u>\$22,396,443</u>	<u>\$20,643,301</u>	<u>\$19,707,313</u>	<u>\$19,478,466</u>	<u>\$18,126,478</u>	<u>\$17,329,389</u>	<u>\$16,809,197</u>	
Plan fiduciary net position								
Contributions—employer	\$ 1,437,325	\$ 1,351,693	\$ 1,119,625	\$ 951,182	\$ 867,460	\$ 641,694	\$ 520,920	
Contributions—employee	187,610	194,229	190,551	245,455	243,186	211,706	175,906	
Net investment income	103,435	373,963	454,476	723,993	37,079	230,228	792,461	Information not available
Benefit payments, including refunds of employee contributions	(1,084,226)	(1,143,743)	(1,198,129)	(1,386,848)	(1,282,671)	(1,040,337)	(901,225)	
Hall/Parker Settlement			(271,741)					
Administrative expense	(8,433)	(7,490)	(7,617)	(6,806)	(5,735)	(5,984)	(6,383)	
Other changes		(149)	80	(18,616)	10,578	(47,732)	87,607	
Net change in plan fiduciary net position	635,711	768,503	287,245	508,360	(130,103)	(10,425)	669,286	
Plan fiduciary net position—beginning	7,795,365	7,026,862	6,739,617	6,231,257	6,361,360	6,371,785	5,702,499	
Plan fiduciary net position—ending (b)	<u>\$ 8,431,076</u>	<u>\$ 7,795,365</u>	<u>\$ 7,026,862</u>	<u>\$ 6,739,617</u>	<u>\$ 6,231,257</u>	<u>\$ 6,361,360</u>	<u>\$ 6,371,785</u>	
County's net pension liability—ending (a) – (b)	<u>\$13,965,367</u>	<u>\$12,847,936</u>	<u>\$12,680,451</u>	<u>\$12,738,849</u>	<u>\$11,895,221</u>	<u>\$10,968,029</u>	<u>\$10,437,412</u>	
Plan fiduciary net position as a percentage of the total pension liability	37.64%	37.76%	35.66%	34.60%	34.38%	36.71%	37.91%	
Covered payroll	\$ 2,737,416	\$ 2,588,340	\$ 2,264,762	\$ 2,362,113	\$ 2,167,935	\$ 2,001,288	\$ 1,895,363	
County's net pension liability as a percentage of covered payroll	510.17%	496.38%	559.90%	539.30%	548.69%	548.05%	550.68%	

See accompanying notes to pension plan schedules.

**Gila County**  
**Required supplementary information**  
**Schedule of changes in the County's net pension**  
**liability and related ratios**  
**Agent pension plans**  
**June 30, 2021**

CORP Detention	Reporting fiscal year (Measurement date)							
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2012
Total pension liability								
Service cost	\$ 276,628	\$ 344,457	\$ 362,086	\$ 365,615	\$ 341,734	\$ 322,777	\$ 349,379	
Interest on the total pension liability	549,394	504,102	504,600	420,698	368,315	353,739	322,522	
Changes of benefit terms			(322,827)	997,825	10,391		24,688	
Differences between expected and actual experience in the measurement of the pension liability	334,856	145,954	(138,314)	(273,466)	238,078	(184,916)	(181,113)	
Changes of assumptions or other inputs		245,157		115,544	218,760		155,825	
Benefit payments, including refunds of employee contributions	(309,115)	(607,071)	(544,308)	(285,348)	(258,317)	(372,466)	(148,202)	
Net change in total pension liability	851,763	632,599	(138,763)	1,340,868	918,961	119,134	523,099	
Total pension liability—beginning	7,403,871	6,771,272	6,910,035	5,569,167	4,650,206	4,531,072	4,007,973	
Total pension liability—ending (a)	\$ 8,255,634	\$ 7,403,871	\$ 6,771,272	\$ 6,910,035	\$ 5,569,167	\$ 4,650,206	\$ 4,531,072	
Plan fiduciary net position								
Contributions—employer	\$ 274,711	\$ 288,365	\$ 238,843	\$ 204,740	\$ 191,008	\$ 181,989	\$ 191,319	
Contributions—employee	149,047	167,603	194,274	197,659	187,968	188,093	186,454	
Net investment income	148,934	262,281	335,380	501,516	25,007	144,624	461,443	Information not available
Benefit payments, including refunds of employee contributions	(390,115)	(607,071)	(544,308)	(285,348)	(258,317)	(372,466)	(148,202)	
Administrative expense	(5,764)	(5,381)	(5,774)	(4,787)	(3,936)	(3,947)	(3,628)	
Other changes	42,947		(8,510)	384	8,800	(3,075)	(544)	
Net change in plan fiduciary net position	300,760	105,797	209,905	614,164	150,530	135,218	686,842	
Plan fiduciary net position—beginning	5,116,212	5,010,415	4,800,510	4,186,346	4,035,816	3,900,598	3,213,756	
Plan fiduciary net position—ending (b)	\$ 5,416,972	\$ 5,116,212	\$ 5,010,415	\$ 4,800,510	\$ 4,186,346	\$ 4,035,816	\$ 3,900,598	
County's net pension liability—ending (a) – (b)	\$ 2,838,662	\$ 2,287,659	\$ 1,760,857	\$ 2,109,525	\$ 1,382,821	\$ 614,390	\$ 630,474	
Plan fiduciary net position as a percentage of the total pension liability	65.62%	69.10%	74.00%	69.47%	75.17%	86.79%	86.09%	
Covered payroll	\$ 2,447,650	\$ 2,465,134	\$ 2,368,007	\$ 2,552,674	\$ 2,226,105	\$ 2,058,827	\$ 2,074,538	
County's net pension liability as a percentage of covered payroll	115.97%	92.80%	74.36%	82.64%	62.12%	29.84%	30.39%	

See accompanying notes to pension plan schedules.

**Gila County**  
**Required supplementary information**  
**Schedule of changes in the County's net pension**  
**liability and related ratios**  
**Agent pension plans**  
**June 30, 2021**

**CORP Dispatchers**

	Reporting fiscal year (Measurement date)							
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2012
Total pension liability								
Service cost	\$ 17,350	\$ 26,582	\$ 30,034	\$ 32,295	\$ 35,574	\$ 30,280	\$ 39,102	
Interest on the total pension liability	159,153	150,655	171,554	147,775	140,477	130,939	127,496	
Changes of benefit terms			(130,830)	384,994	6,381		12,908	
Differences between expected and actual experience in the measurement of the pension liability	39,798	96,354	(199,521)	(172,751)	47,078	59,963	(103,659)	
Changes of assumptions or other inputs		42,529		43,923	56,724		80,874	
Benefit payments, including refunds of employee contributions	(85,997)	(239,183)	(91,254)	(83,034)	(124,520)	(80,128)	(136,774)	
Net change in total pension liability	130,304	76,937	(220,017)	353,202	161,714	141,054	19,947	
Total pension liability—beginning	2,205,825	2,128,888	2,348,905	1,995,703	1,833,989	1,692,935	1,672,988	
Total pension liability—ending (a)	\$ 2,336,129	\$ 2,205,825	\$ 2,128,888	\$ 2,348,905	\$ 1,995,703	\$ 1,833,989	\$ 1,692,935	
Plan fiduciary net position								
Contributions—employer	\$ 51,724	\$ 66,564	\$ 47,658	\$ 37,583	\$ 35,930	\$ 30,530	\$ 26,396	
Contributions—employee	11,249	12,759	14,692	17,241	20,184	20,252	20,281	
Net investment income	40,003	70,238	93,455	141,868	7,545	45,656	158,620	Information not available
Benefit payments, including refunds of employee contributions	(85,997)	(239,183)	(91,254)	(83,034)	(124,520)	(80,128)	(136,774)	
Administrative expense	(1,548)	(1,954)	(2,114)	(1,641)	(1,467)	(1,505)	(1,247)	
Other changes			(26)	(8)	(9)	(1,172)	(19,995)	
Net change in plan fiduciary net position	15,431	(91,576)	62,411	112,009	(62,337)	13,633	47,281	
Plan fiduciary net position—beginning	1,286,720	1,378,296	1,315,885	1,203,876	1,266,213	1,252,580	1,205,299	
Plan fiduciary net position—ending (b)	\$ 1,302,151	\$ 1,286,720	\$ 1,378,296	\$ 1,315,885	\$ 1,203,876	\$ 1,266,213	\$ 1,252,580	
County's net pension liability—ending (a) – (b)	\$ 1,033,978	\$ 919,105	\$ 750,592	\$ 1,033,020	\$ 791,827	\$ 567,776	\$ 440,355	
Plan fiduciary net position as a percentage of the total pension liability	55.74%	58.33%	64.74%	56.02%	60.32%	69.04%	73.99%	
Covered payroll	\$ 141,322	\$ 160,443	\$ 184,578	\$ 226,100	\$ 254,265	\$ 254,000	\$ 254,265	
County's net pension liability as a percentage of covered payroll	731.65%	572.85%	406.65%	456.89%	311.42%	223.53%	173.19%	

See accompanying notes to pension plan schedules.

**Gila County**  
**Required supplementary information**  
**Schedule of County pension contributions**  
**June 30, 2021**

**Arizona State Retirement System**

	Reporting fiscal year								
	2021	2020	2019	2018	2017	2016	2015	2014	2013-2012
Statutorily required contribution	\$ 2,212,015	\$ 2,159,441	\$ 2,081,679	\$ 1,850,254	\$ 1,746,245	\$ 1,768,338	\$ 1,832,179	\$ 1,852,259	
County's contributions in relation to the statutorily required contribution	<u>2,212,015</u>	<u>2,159,441</u>	<u>2,081,679</u>	<u>1,850,254</u>	<u>1,746,245</u>	<u>1,768,338</u>	<u>1,832,179</u>	<u>1,852,259</u>	
County's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	Information not available
County's covered payroll	\$19,117,348	\$19,024,801	\$18,326,508	\$17,311,838	\$16,996,911	\$16,464,044	\$16,959,971	\$17,866,484	
County's contributions as a percentage of covered payroll	11.57%	11.35%	11.36%	10.69%	10.27%	10.74%	10.80%	10.37%	

**Corrections Officer Retirement Plan—  
Administrative Office of the Courts**

	Reporting fiscal year								
	2021	2020	2019	2018	2017	2016	2015	2014	2013-2012
Statutorily required contribution	\$ 375,822	\$ 339,539	\$ 358,953	\$ 228,649	\$ 218,961	\$ 276,212	\$ 227,801	\$ 240,875	
County's contributions in relation to the statutorily required contribution	<u>375,822</u>	<u>339,539</u>	<u>358,953</u>	<u>228,649</u>	<u>218,961</u>	<u>276,212</u>	<u>227,801</u>	<u>240,875</u>	
County's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	Information not available
County's covered payroll	\$ 1,109,482	\$ 1,107,501	\$ 1,106,855	\$ 1,000,857	\$ 1,143,874	\$ 1,452,609	\$ 1,539,683	\$ 1,667,965	
County's contributions as a percentage of covered payroll	33.87%	30.66%	32.43%	22.85%	19.14%	19.01%	14.80%	14.44%	

**Elected Officials Retirement Plan**

	Reporting fiscal year								
	2021	2020	2019	2018	2017	2016	2015	2014	2013-2012
Statutorily required contribution	\$ 613,741	\$ 621,324	\$ 607,608	\$ 257,846	\$ 208,566	\$ 250,016	\$ 265,481	\$ 274,171	
County's contributions in relation to the statutorily required contribution	<u>613,741</u>	<u>621,324</u>	<u>512,123</u>	<u>76,787</u>	<u>208,566</u>	<u>250,016</u>	<u>265,481</u>	<u>274,171</u>	
County's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,485</u>	<u>\$ 181,059</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	Information not available
County's covered payroll	\$ 1,098,779	\$ 1,096,965	\$ 1,072,272	\$ 990,519	\$ 959,940	\$ 977,941	\$ 1,134,316	\$ 1,182,686	
County's contributions as a percentage of covered payroll	55.86%	56.64%	47.76%	7.75%	21.73%	25.57%	23.40%	23.18%	

**Gila County**  
**Required supplementary information**  
**Schedule of County pension contributions**  
**June 30, 2021**

**PSPRS Sheriff**

	Reporting fiscal year								
	2021	2020	2019	2018	2017	2016	2015	2014	2013-2012
Actuarially determined contribution	\$ 649,522	\$ 1,437,461	\$ 1,303,462	\$ 1,119,625	\$ 1,102,871	\$ 1,210,141	\$ 641,694	\$ 520,920	
County's contributions in relation to the actuarially determined contribution	13,615,162	1,437,461	1,303,462	886,696	951,182	867,460	641,694	520,920	
County's contribution deficiency (excess)	<u>\$ (12,965,640)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 232,929</u>	<u>\$ 151,689</u>	<u>\$ 342,681</u>	<u>\$ -</u>	<u>\$ -</u>	Information not available
County's covered payroll	\$ 2,551,061	\$ 2,737,416	\$ 2,588,340	\$ 2,264,762	\$ 2,362,113	\$ 2,167,935	\$ 2,001,288	\$ 1,895,363	
County's contributions as a percentage of covered payroll	533.71%	52.51%	50.36%	39.15%	40.27%	40.01%	32.06%	27.48%	

**CORP Detention**

	Reporting fiscal year								
	2021	2020	2019	2018	2017	2016	2015	2014	2013-2012
Actuarially determined contribution	\$ 200,833	\$ 276,004	\$ 291,129	\$ 238,843	\$ 221,827	\$ 208,141	\$ 181,989	\$ 191,319	
County's contributions in relation to the actuarially determined contribution	2,763,173	276,004	291,129	238,843	204,740	191,008	181,989	191,319	
County's contribution deficiency (excess)	<u>\$ (2,562,340)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,087</u>	<u>\$ 17,133</u>	<u>\$ -</u>	<u>\$ -</u>	Information not available
County's covered payroll	\$ 2,422,090	\$ 2,447,650	\$ 2,465,134	\$ 2,368,007	\$ 2,552,674	\$ 2,226,105	\$ 2,058,827	\$ 2,074,538	
County's contributions as a percentage of covered payroll	114.08%	11.28%	11.81%	10.09%	8.02%	8.58%	8.84%	9.22%	

**CORP Dispatchers**

	Reporting fiscal year								
	2021	2020	2019	2018	2017	2016	2015	2014	2013-2012
Actuarially determined contribution	\$ 33,274	\$ 51,724	\$ 65,525	\$ 47,658	\$ 44,926	\$ 47,090	\$ 30,530	\$ 26,396	
County's contributions in relation to the actuarially determined contribution	988,978	51,724	65,525	47,658	37,583	35,930	30,530	26,396	
County's contribution deficiency (excess)	<u>\$ (955,704)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,343</u>	<u>\$ 11,160</u>	<u>\$ -</u>	<u>\$ -</u>	Information not available
County's covered payroll	\$ 112,325	\$ 141,322	\$ 160,443	\$ 184,578	\$ 226,100	\$ 254,265	\$ 254,000	\$ 254,265	
County's contributions as a percentage of covered payroll	880.46%	36.60%	40.84%	25.82%	16.62%	14.13%	12.02%	10.38%	

**Gila County**  
**Required supplementary information**  
**Notes to pension plan schedules**  
**June 30, 2021**

**Note 1 – Actuarially determined contribution rates**

Actuarial determined contribution rates for PSPRS and CORP are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent-of-pay, closed
Remaining amortization period as of the 2019 actuarial valuation	19 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions: Investment rate of return	In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%–8.0% to 3.5%–7.5% for PSPRS and from 4.0%–7.25% to 3.5%–6.5% for CORP. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS and from 4.5%–7.75% to 4.0%–7.25% for CORP. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS and from 5.0%–8.25% to 4.5%–7.75% for CORP.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS and CORP. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS and CORP. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS and CORP.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 – June 30, 2011.
Mortality	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females).

**Gila County**  
**Required supplementary information**  
**Notes to pension plan schedules**  
**June 30, 2021**

**Note 2 – Factors that affect trends**

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS, CORP, CORP-AOC, and EORP changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS and EORP also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS-, CORP-, and CORP-AOC-required contributions beginning in fiscal year 2019 for members who were retired or will retire after the law's effective date. EORP-required contributions are not based on actuarial valuations, and therefore, these changes did not affect them. PSPRS and CORP allowed the County to phase in the increased contributions for members who were retired as of the law's effective date over 3 years. As a result, the County's pension contributions were less than the actuarially determined contributions for 2016 and 2017. Also, the County refunded excess employee contributions to PSPRS and EORP members. PSPRS and EORP allowed the County to reduce its actual employer contributions for the refund amounts. As a result, the County's pension contributions were less than the actuarially or statutorily determined contributions for 2018 for both PSPRS and EORP and 2019 for only EORP.

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

