

Gila County

Annual Expenditure
Limitation Report

Year Ended June 30, 2021



A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





The Arizona Auditor General’s mission is to provide independent and impartial information and specific recommendations to improve the operations of State and local government entities. To this end, the Office provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits and special reviews of school districts, State agencies, and the programs they administer.

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LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent accountants' report

Members of the Arizona State Legislature

The Board of Supervisors of
Gila County, Arizona

We have examined the accompanying Annual Expenditure Limitation Report (report) of Gila County for the year ended June 30, 2021, and the related notes to the report. The County's management is responsible for presenting this report in accordance with the Uniform Expenditure Reporting System as described in Note 1. Our responsibility is to express an opinion on this report based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether this report is presented in accordance with the Uniform Expenditure Reporting System in all material respects. An examination involves performing procedures to obtain evidence about the amounts and disclosures in the report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the report, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report referred to above is presented in accordance with the Uniform Expenditure Reporting System as described in Note 1 in all material respects.

Sincerely,

Stephanie Gerber

Stephanie Gerber, CPA
Director, Financial Audit Division

August 22, 2022

Gila County
Annual Expenditure Limitation Report—Part I
Year ended June 30, 2021

| | |
|---|---------------------|
| 1. Economic Estimates Commission expenditure limitation | \$45,269,746 |
| 2. Amount subject to the expenditure limitation (total amount from Part II, line C) | <u>42,541,172</u> |
| 3. Amount under the expenditure limitation | <u>\$ 2,728,574</u> |

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the Uniform Expenditure Reporting System.

Signature of chief fiscal officer:



Name and title: Mary J. Springer, Finance Director

Telephone number: (928) 402-8516

Date: August 22, 2022

See accompanying notes to report.

Gila County
Annual Expenditure Limitation Report—Part II
Year ended June 30, 2021

| Description | <u>Governmental funds</u> | <u>Enterprise funds</u> | <u>Fiduciary funds</u> | <u>Total</u> |
|--|-------------------------------|-----------------------------|----------------------------|----------------------|
| A. Amounts reported on the reconciliation, line D | \$ 84,524,230 | \$ 1,540,807 | \$ 124,872,854 | \$ 210,937,891 |
| B. Less exclusions claimed: | | | | |
| Debt proceeds | 16,855,000 | | | 16,855,000 |
| Debt service requirements (Note 2) | 2,068,018 | | | 2,068,018 |
| Dividends, interest, and gains on the sale or redemption of investment securities (Note 3) | 643,081 | 4,707 | | 647,788 |
| Trustee or custodian (Note 4) | 1,530,971 | | 124,872,854 | 126,403,825 |
| Grants and aid from the federal government (Note 5) | 10,869,959 | | | 10,869,959 |
| Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes | 330,314 | | | 330,314 |
| Amounts received from the State of Arizona (Note 5) | 4,344,121 | | | 4,344,121 |
| Highway user revenues in excess of those received in fiscal year 1979-80 (Note 5) | 4,457,145 | | | 4,457,145 |
| Contracts with other political subdivisions (Note 6) | 609,416 | | | 609,416 |
| Amounts received for distribution to school districts (Note 7) | <u>1,811,133</u> | | | <u>1,811,133</u> |
| Total exclusions claimed | <u>43,519,158</u> | <u>4,707</u> | <u>124,872,854</u> | <u>168,396,719</u> |
| C. Amounts subject to the expenditure limitation | <u>\$ 41,005,072</u> | <u>\$ 1,536,100</u> | <u>\$ -</u> | <u>\$ 42,541,172</u> |

See accompanying notes to report.

Gila County
Annual Expenditure Limitation Report—Reconciliation
Year ended June 30, 2021

| Description | <u>Governmental funds</u> | <u>Enterprise funds</u> | <u>Fiduciary funds</u> | <u>Total</u> |
|---|-------------------------------|-----------------------------|----------------------------|-----------------------|
| A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements | \$ 88,339,206 | \$ 1,751,360 | \$ 124,872,854 | \$ 214,963,420 |
| B. Subtractions: | | | | |
| Items not requiring use of current financial resources: | | | | |
| Depreciation | | 119,736 | | 119,736 |
| Pension and other postemployment benefits (OPEB) expense (Note 8) | | 158,925 | | 158,925 |
| Landfill closure and postclosure care costs (Note 9) | | 224,702 | | 224,702 |
| Expenditures of separate legal entities established under Arizona Revised Statutes (Note 10) | 1,295,780 | | | 1,295,780 |
| Long-term care contributions the State Treasurer withheld (Note 11) | <u>2,519,196</u> | | | <u>2,519,196</u> |
| Total subtractions | <u>3,814,976</u> | <u>503,363</u> | | <u>4,318,339</u> |
| C. Additions: | | | | |
| Principal payments on long-term debt | | 79,384 | | 79,384 |
| Capital asset acquisitions | | 156,197 | | 156,197 |
| Pension and OPEB contributions paid in the current year (Note 8) | | <u>57,229</u> | | <u>57,229</u> |
| Total additions | | <u>292,810</u> | | <u>292,810</u> |
| D. Amounts reported on Part II, line A | <u>\$ 84,524,230</u> | <u>\$ 1,540,807</u> | <u>\$ 124,872,854</u> | <u>\$ 210,937,891</u> |

See accompanying notes to report.

Gila County

Notes to Annual Expenditure Limitation Report

Year ended June 30, 2021

Note 1 - Summary of significant accounting policies

The Annual Expenditure Limitation Report (AELR) is presented as prescribed by the Uniform Expenditure Reporting System (UERS), as required by Arizona Revised Statutes (A.R.S.) §41-1279.07. The AELR excludes expenditures, expenses, or deductions of certain revenues specified in the Arizona Constitution, Article IX, §20, from the total expenditures, expenses, or deductions reported in the fund financial statements.

In accordance with the UERS, a note to the AELR is presented below for any exclusion claimed on part II and each subtraction or addition in the reconciliation that cannot be traced directly to an amount reported in the fund financial statements. All references to financial statement amounts in the following notes refer to the statement of revenues, expenditures, and changes in fund balances for the governmental funds; statement of revenues, expenses, and changes in fund net position for the proprietary funds; statement of cash flows for the proprietary funds; and the statement of changes in fiduciary net position for the fiduciary funds.

Note 2

The \$2,068,018 exclusion claimed for debt service requirements consists of principal retirement of \$850,549, interest of \$757,569, and issuance cost of \$369,645, including bond premium amortization of \$90,255 in the General Fund.

Note 3

The \$643,081 exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities in the governmental funds includes investment earnings expended of \$211,743 and interest on delinquent taxes expended of \$431,338, which was recorded as tax revenue.

Note 4

The \$1,530,971 exclusion claimed for trustee or custodian in the governmental funds consists of county contributions to the Arizona Health Care Cost Containment System for acute care, uncompensated care, and administrative costs; and in the fiduciary funds, the exclusion of \$124,872,854 includes deductions of \$1,005,539 for private purpose trust funds, \$115,829,821 for external investment pool custodial funds, and \$8,037,494 for other custodial funds.

Note 5

The following schedule presents revenues from which exclusions have been claimed for federal grants and aid, amounts received from the State of Arizona, and highway user revenues in the governmental funds:

Gila County
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2021

| Description | |
|---|---------------------|
| Grants and aid from the federal government | \$10,869,959 |
| Amounts received from the State of Arizona | 4,344,121 |
| Highway user revenues in excess of those received in fiscal year 1979-80 | 4,457,145 |
| Other revenues (nonexcludable) | <u>13,034,828</u> |
| Total intergovernmental revenues as reported in the governmental fund financial statements | <u>\$32,706,053</u> |

Note 6

The \$609,416 exclusion claimed for contracts with other political subdivisions includes \$609,416 of miscellaneous revenues expended.

Note 7

The exclusion claimed for amounts received for distribution to school districts consists of federal, State, and county revenues recorded as education expenditures for operating an accommodation school.

Note 8

The \$158,925 subtraction in the enterprise funds reflect changes in the net pension and OPEB assets and liabilities and changes in deferred inflows and outflows related to pensions and OPEB recognized in the current year. The \$57,229 addition for pension and OPEB contributions paid in the current year consists of the required pension and OPEB contributions made to the Arizona State Retirement System from the enterprise funds. The schedule below reconciles the net effect the subtraction and addition have on the expenditures subject to the limitation to the amounts reported on the statement of cash flows' net effect on cash.

| | Enterprise funds |
|--|-------------------------|
| Statement of cash flows | |
| Change in net pension and OPEB asset | \$ (1,776) |
| Change in deferred inflows related to pensions and OPEB | (16,938) |
| Change in deferred outflows related to pensions and OPEB | (63,459) |
| Change in net pension and OPEB liability | <u>183,869</u> |
| Total | <u>\$101,696</u> |
| AELR – Reconciliation | |
| Pension/OPEB expense (income) – subtraction | 158,925 |
| Pension/OPEB contributions – addition | <u>57,229</u> |
| Total | <u>\$101,696</u> |

The subtraction for pension expense in the governmental funds consists of nonemployer contributions to the Elected Officials Retirement Plan (EORP) or Public Safety Personnel Retirement System (PSPRS) that were reported as a revenue and an offsetting expenditure in the County's governmental funds. Consequently, this expenditure has been subtracted on the reconciliation.

Gila County
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2021

Note 9

The \$224,702 subtraction for landfill closure and postclosure care costs consists of the portion of the total estimated liability/liabilities reported as expenses in the current year but not yet paid in the enterprise funds.

Note 10

The \$1,295,780 subtraction for separate legal entities established under Arizona Revised Statutes consists of expenditures of special assessment districts included within the County’s reporting entity, but not included in the Economic Estimates Commission base limit calculations that are reported in the governmental funds:

| | |
|---------------------------------------|--------------------|
| Special assessment districts | |
| Library district | |
| Library district grants | \$ 126,431 |
| Library assistance | 1,117,573 |
| Street Lighting Improvement Districts | |
| Pine SLID | 1,779 |
| Apache Hills SLID | 3,128 |
| Upper Glendale SLID | 1,286 |
| East Verde Park SLID | 4,032 |
| Miami Gardens SLID | 2,939 |
| Midland/Central Heights SLID | 15,822 |
| Claypool/Lower Miami SLID | <u>22,790</u> |
| Total | <u>\$1,295,780</u> |

Note 11

The subtraction for long-term care contributions the State Treasurer withheld consists of transaction privilege taxes the State Treasurer withheld to meet the County’s share of long-term care costs that was reported as a revenue and an offsetting expenditure in the County’s governmental funds. Consequently, this expenditure has been subtracted on the reconciliation.

