

Gila County
Single Audit Reporting Package
Year Ended June 30, 2007

Gila County
Single Audit Reporting Package
Year Ended June 30, 2007

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Independent Auditor's Report

The Auditor General of the State of Arizona

The Board of Supervisors of
Gila County, Arizona

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Gila County as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of Gila County as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 1, the County retroactively reported all major general infrastructure assets as part of the phased implementation requirements of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

The Management's Discussion and Analysis on pages 3 through 10, the Schedule of Agent Retirement Plans' Funding Progress on page 38, and the Budgetary Comparison Schedules on pages 39 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management

regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards listed in the table of contents is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In connection with our audit, nothing came to our attention that caused us to believe that the County failed to use highway user revenue fund monies received by the County pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the County solely for the authorized transportation purposes. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2009, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.


March 31, 2009

Gila County
Management's Discussion and Analysis
June 30, 2007

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, 2007. We encourage readers to consider the information presented here in conjunction with the financial statements.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the current fiscal year by \$46,535,162 (net assets). Of this amount, \$24,331,703 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$27,907,677, an increase of \$3,080,519 in comparison with the prior year's balance of \$24,827,158.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$12,134,364 or 33% of total general fund expenditures.
- The County's total long-term liabilities decreased by a net of \$63,825 during the current fiscal year in comparison with the prior year's balance of \$7,814,419. Key factors in this decrease included (a) scheduled principal payments of \$1,420,042, (b) a new Arizona Department of Transportation Loan of \$487,500, (c) two new capital leases of \$536,389, (d) an increase in the landfill closure and postclosure care costs of \$380,608 and, (e) a net decrease in compensated absences of \$48,280 during the year.

Overview of the Financial Statements

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

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

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

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

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

Gila County
Management's Discussion and Analysis
June 30, 2007

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, Street Lighting Districts and Municipal Property Corporation which function for all practical purposes as departments of the County, and therefore have been included as an integral part of the County.

The *government-wide financial statements* can be found on pages 11 through 12 of this report.

Fund financial statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into two categories: governmental 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 funds statements is narrower than the government-wide statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances include a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The County maintains numerous individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for two funds that are considered to be major funds, General and Public Works. Data from the other governmental funds are combined into a single, aggregated presentation.

The basic governmental fund financial statements can be found on pages 13 through 16 of this report.

Fiduciary Funds are used to account for resources held by the County for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own operations. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary funds financial statements can be found on pages 17 and 18 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 19 through 36 of this report.

Gila County
Management's Discussion and Analysis
June 30, 2007

Required supplementary information presents schedules of revenues and expenditures, budget and actual, for the general and major special revenue fund. This section also includes certain information concerning the County's progress in funding its obligation to provide pension benefits to its employees.

Required supplementary information can be found on pages 38 through 44 of this report.

Government-wide Financial Analysis

Statement of Net Assets - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the fiscal year, the County's assets exceeded liabilities by \$46,535,162.

**Condensed Statement of Net Assets
(in thousands)
Governmental Activities
June 30, 2007 and 2006**

	2007	Restated 2006
Assets:		
Current and other assets	\$ 31,265	\$ 28,864
Capital assets	26,047	23,057
Total assets	57,312	51,921
Liabilities:		
Long-term liabilities outstanding	7,751	7,814
Other liabilities	3,026	3,890
Total liabilities	10,777	11,704
Net assets:		
Invested in capital assets, net of related debt	21,876	18,490
Restricted for:		
Debt service	327	325
Unrestricted	24,332	21,402
Total net assets	\$ 46,535	\$ 40,217

By far the largest portion of Gila County's net assets is unrestricted. Unrestricted net assets of \$24,295,778 or 52% may be used to meet Gila County's ongoing obligations to citizens and creditors. The second largest portion is \$21,876,336 or 47% of the total net assets that reflects its investment in capital assets (e.g. land, buildings, equipment, vehicles and infrastructure); less accumulated depreciation and any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, the County is able to report positive balances in both categories of net assets for its governmental activities.

Gila County
Management's Discussion and Analysis
June 30, 2007

- "Current and Other Assets" increased between fiscal years. This was due primarily to an increase in cash of \$2,576,699. The County's cash position increased due to a better than anticipated collection of major revenues, such as taxes and charges for services.
- "Other Liabilities" decreased between fiscal years. This was due primarily to a decrease in accounts payable of \$728,582. Accounts payable was larger in the prior fiscal year as there were significant expenses related to the County's new accounting system at fiscal year end.
- Capital Assets increased between fiscal years. This was due to ongoing road construction and the purchase of heavy equipment, vehicles and other equipment.

The 2006 balances were restated primarily to comply with GASB 34 for retroactive reporting of general infrastructure assets. Related balances have been audited.

Statement of Activities

Already noted was the statement of activities purpose in presenting information in how the government's net assets changed during the current fiscal year. A chart of changes in net assets follows. For the fiscal year, net assets increased \$6,318,026, all coming from governmental activities. The basis of accounting used in the government-wide statement of activities excludes capital expenditures while its revenues include taxes that are used, in part, for the construction of those assets.

Changes in Net Assets
(in thousands)
Governmental Activities
Years Ended June 30, 2007 and June 30, 2006

	2007	Restated 2006
Revenues		
Program revenues:		
Charges for services	\$ 7,029	\$ 6,265
Grants and contributions	19,153	16,786
General revenues:		
Property taxes	18,699	18,053
County sales tax	6,719	6,122
Share of state sales tax	5,477	5,347
Vehicle license tax	1,850	1,754
Payments in lieu of taxes	2,104	2,030
Miscellaneous	1,561	1,606
Total revenues	62,592	57,963
Expenses		
General government	18,245	16,588
Public safety	14,097	13,402
Highways and streets	7,028	6,983
Health	2,539	2,515
Welfare	9,266	10,289
Sanitation	1,750	1,526
Culture and recreation	1,217	1,304
Education	1,931	2,008
Interest on long-term debt	201	222
Total expenses	56,274	54,837

Gila County
Management's Discussion and Analysis
June 30, 2007

Increase in net assets	6,318	3,126
Net assets, beginning of year	<u>40,217</u>	<u>37,091</u>
Net assets, end of year	<u>\$ 46,535</u>	<u>\$ 40,217</u>

The 2006 balances were restated primarily to comply with GASB 34 for retroactive reporting of general infrastructure assets. Related balances have been audited.

Revenues

Governmental activities revenues totaled \$62,592,475 for fiscal year 2007 which was an increase of almost 8% over the prior year's total revenues. The increase was primarily in grants and contributions, County sales tax, charges for services, state shared vehicle license and sales taxes, and property taxes. The County was fortunate in receiving significant increases in grant revenues. The increase was due to the County's regional school district being in operation for the full fiscal year, and additional funding that was received for the homeland security and child enforcement grants. The increase in sales taxes and charges for services was due to a strong local economy and the increase in property taxes was due to an increase in assessed valuation.

Expenses

Governmental activities expenses totaled \$56,274,449 for fiscal year 2007, which was an increase of almost 2.6% over the prior year's total expenses. This increase was largely due to salary increases and normal inflation.

Financial Analysis of the Government's Funds

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

Governmental funds

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$27,907,677, an increase of \$3,080,519 in comparison with the prior year's balance of \$24,827,158.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$12,134,364, which was an increase of 13% over the prior year's balance of \$10,733,087. This increase was largely due to a strong local economy and an increase in assessed valuation. State shared sales tax increased by \$727,000 and property tax collections increased by \$646,000. Conservative spending by county departments also contributed to the increase in fund balance.

Gila County
Management's Discussion and Analysis
June 30, 2007

The fund balance of the public works fund increased to \$8,965,364 from \$8,420,174 prior year's balance. The increase is largely due to conservative spending practices which resulted in current year's revenues exceeding current years expenditures.

General Fund Budgetary Highlight

The general fund had budgeted expenditures before transfers of \$39,598,229. Overall, actual general fund expenditures were under budget by \$3,330,051. The Solid Waste Management department had budgeted expenditures of \$2,600,000 while actual expenditures were under budget by \$1,391,452 as the County is reserving funds for the eventual closing of the landfill. The significant County departments and other budgeted line items over budget are the Board of Supervisors-\$199,310, General Administration-\$334,836, County Attorney-\$189,355, County Sheriff-\$258,559, Principal Retirement-\$292,438, Interest and Fiscal Charges-\$159,864, Transfers In-\$373,266, and Transfers Out-\$931,833. The County will strive to improve its budgeting procedures and control in the future.

Capital Asset and Debt Administration

Capital Assets

The County's investment in capital assets for its governmental activities as of June 30, 2007, amounts to \$26,047,393 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, machinery and equipment and infrastructure assets (roads, highways, bridges, etc). The prior year's balance of investment in capital assets for its governmental activities was restated from \$19,461,805 to \$23,057,219. The restatement of \$3,595,414 consists of \$3,648,417 as required by GASB Statement No. 34 for including major general infrastructure assets acquired prior to the year ended June 30, 2003, net of accumulated depreciation and a net decrease of \$53,003 in prior period adjustments. The prior period adjustments were made to correct accounting errors made in the previously reported amounts of capital assets and accumulated depreciation and change the infrastructure capitalization threshold from \$10,000 to \$50,000.

The total net increase in the County's investment in capital assets for the current fiscal year was \$2,990,174, an increase of almost 13% in comparison with the prior year's restated balance of \$23,057,219.

Gila County's Capital Assets
(net of depreciation)
(in thousands)
Governmental Activities
June 30, 2007 and 2006

	2007	Restated 2006
Land	\$ 3,974	\$ 3,974
Construction in progress	1,270	1,010
Buildings	6,529	6,766
Improvements other than buildings	319	309
Machinery and equipment	6,869	5,432
Infrastructure	7,086	5,566
Total	\$ 26,047	\$ 23,057

Gila County
Management's Discussion and Analysis
June 30, 2007

Additional information on the County's capital assets can be found in Note 6 on pages 27 through 28 of this report.

The 2006 balances were restated primarily to comply with GASB 34 for retroactive reporting of general infrastructure assets. Related balances have been audited.

Long-term Debt

At the end of the current fiscal year, the County had certificates of participation debt outstanding of \$1,840,000. This debt represents certificates of participation issued to finance renovation costs for several County buildings. The certificates are secured by a dedicated excise tax of ¼ cent. The County also had loans payable of \$998,720 which are secured by the County's highway user revenue. The County had long-term capital leases of \$1,332,337 for land, vehicles, and construction and computer equipment. The remainder of Gila County's debt is landfill closure and postclosure care costs of \$2,372,659 and compensated absences payable of \$1,206,878.

The County's debt was decreased by a net \$63,825 during the current fiscal year. This is primarily due to the County making scheduled debt retirement payments of \$1,420,042, adding a new Arizona Department of Transportation loan of \$487,500 and two new capital leases of \$536,389, increasing landfill closure and postclosure care costs by \$380,608 and decreasing compensated absences payable by \$48,280.

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 \$25,336,062. 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 8 on pages 29 through 31 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Gila County is currently 4.3 percent, which is a slight decrease from a rate of 5.4 percent a year ago. This compares unfavorably to the state's average unemployment rate of 3.8 percent.
- Inflationary trends in the County, Consumer Price Index (CPI) is 2.6 percent, which compares favorably to the national CPI of 2.8%.

These economic factors were considered in preparing the County's budget for the fiscal year 2007-08. The unreserved ending fund balance in the general fund of \$12,134,364 was appropriated for spending in the fiscal year 2007-08 budget. The County's primary property tax rate remained unchanged for the 2007-08 fiscal year.

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 the information

Gila County
Management's Discussion and Analysis
June 30, 2007

provided in this report or requests for additional financial information should be addressed as follows:

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

Basic Financial Statements

Gila County
Statement of Net Assets
June 30, 2007

	Governmental Activities
Assets	
Cash and investments	\$ 26,642,529
Cash and investments held by trustee	327,123
Receivables (net of allowances for uncollectibles):	
Property taxes	430,963
Accounts	1,050,657
Due from other governments	2,813,156
Capital assets, not being depreciated	5,244,513
Capital assets, being depreciated, net	20,802,880
Total assets	57,311,821
 Liabilities	
Accounts payable	2,423,420
Accrued payroll and employee benefits	542,960
Deposits held for others	59,685
Noncurrent liabilities:	
Due within one year	2,742,210
Due in more than one year	5,008,384
Total liabilities	10,776,659
 Net Assets	
Invested in capital assets, net of related debt	21,876,336
Restricted for:	
Debt service	327,123
Unrestricted	24,331,703
Total net assets	\$ 46,535,162

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

Gila County
Statement of Activities
Year Ended June 30, 2007

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Functions					
<i>Governmental activities</i>					
General government	\$ 18,245,004	\$ 3,321,327	\$ 1,862,635		\$ (13,061,042)
Public safety	14,096,776	1,168,527	3,403,464	\$ 260,909	(9,263,876)
Highways and streets	7,028,031	198,470	75,636	5,862,081	(891,844)
Health	2,539,049	247,110	901,969		(1,389,970)
Welfare	9,265,938	170,527	4,750,481	44,383	(4,300,547)
Sanitation	1,750,025	1,837,191	188,112		275,278
Culture and recreation	1,217,333	7,466	142,358		(1,067,509)
Education	1,930,903	78,492	1,661,262		(191,149)
Interest on long-term debt	201,390	-	-	-	(201,390)
Total governmental activities	\$ 56,274,449	\$ 7,029,110	\$ 12,985,917	\$ 6,167,373	(30,092,049)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					17,852,435
Property taxes, levied for Street Lighting Districts					9,360
Property taxes, levied for Library District					837,582
County general and transportation sales tax					6,719,097
Share of state sales tax					5,477,078
Shared revenue-state vehicle license tax					1,849,979
Payments in lieu of taxes					2,103,446
Shared revenue-state lottery					550,035
Gain on sales of capital assets					78,385
Investment income					804,196
Miscellaneous					128,482
Total general revenues					36,410,075
Change in net assets					6,318,026
Net assets, July 1, 2006, as restated					40,217,136
Net assets, June 30, 2007					\$ 46,535,162

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

Gila County
Balance Sheet
Governmental Funds
June 30, 2007

	<u>General Fund</u>	<u>Public Works Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and investments	\$ 10,082,001	\$ 8,144,628	\$ 8,415,900	\$ 26,642,529
Cash and investments held by trustee	327,123			327,123
Receivables (net of allowances for uncollectibles):				
Property taxes	411,022		19,941	430,963
Accounts	942,367	1,857	106,433	1,050,657
Due from:				
Other funds	1,455,683		467,636	1,923,319
Other governments	<u>1,020,934</u>	<u>818,879</u>	<u>973,343</u>	<u>2,813,156</u>
Total assets	<u>\$ 14,239,130</u>	<u>\$ 8,965,364</u>	<u>\$ 9,983,253</u>	<u>\$ 33,187,747</u>
Liabilities and Fund Balances				
<i>Liabilities:</i>				
Accounts payable	\$ 1,404,624	\$ 423,780	\$ 595,016	\$ 2,423,420
Accrued payroll and employee benefits	375,399	65,462	102,099	542,960
Due to other funds		467,636	1,455,683	1,923,319
Deposits held for others			59,685	59,685
Deferred revenues	<u>324,743</u>	<u>-</u>	<u>5,943</u>	<u>330,686</u>
Total liabilities	<u>2,104,766</u>	<u>956,878</u>	<u>2,218,426</u>	<u>5,280,070</u>
<i>Fund balances:</i>				
Unreserved, reported in:				
General fund	11,807,241			11,807,241
Special revenue funds		8,008,486	7,764,827	15,773,313
Reserved for debt service	<u>327,123</u>	<u>-</u>	<u>-</u>	<u>327,123</u>
Total fund balances	<u>12,134,364</u>	<u>8,008,486</u>	<u>7,764,827</u>	<u>27,907,677</u>
Total liabilities and fund balances	<u>\$ 14,239,130</u>	<u>\$ 8,965,364</u>	<u>\$ 9,983,253</u>	<u>\$ 33,187,747</u>

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

Gila County
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
June 30, 2007

Fund balances - total governmental funds	\$ 27,907,677
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	26,047,393
Some receivables are not available to pay for current-period expenditures and therefore, are deferred in the funds.	330,686
Some liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	<u>(7,750,594)</u>
Net assets of governmental activities	<u>\$ 46,535,162</u>

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

Gila County
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2007

	General Fund	Public Works Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues:				
Taxes	\$ 20,977,303	\$ 3,410,721	\$ 846,942	\$ 25,234,966
Licenses and permits	611,291	7,486	129,568	748,345
Intergovernmental	11,420,701	5,634,102	12,077,781	29,132,584
Charges for services	4,050,906	180,584	1,160,184	5,391,674
Fines and forfeits	799,894		89,197	889,091
Donations and contributions	24		1,220	1,244
Investment income	280,873	269,475	253,848	804,196
Miscellaneous	125,263	-	3,219	128,482
	<u>38,266,255</u>	<u>9,502,368</u>	<u>14,561,959</u>	<u>62,330,582</u>
Expenditures:				
<i>Current:</i>				
General government	16,778,787		730,343	17,509,130
Public safety	10,525,914		3,158,959	13,684,873
Highways and streets		6,260,330	16,761	6,277,091
Health			2,183,697	2,183,697
Welfare	4,529,287		4,736,651	9,265,938
Sanitation	1,208,548		160,869	1,369,417
Culture and recreation	250,074		966,608	1,216,682
Education	630,994		1,299,222	1,930,216
<i>Debt service:</i>				
Principal retirement	791,438	585,269	43,335	1,420,042
Interest and fiscal charges	159,864	29,605	11,921	201,390
<i>Capital outlay</i>	1,671,323	1,669,487	1,953,051	5,293,861
Total expenditures	<u>36,546,229</u>	<u>8,544,691</u>	<u>15,261,417</u>	<u>60,352,337</u>
Excess (deficiency) of revenues over expenditures	<u>1,720,026</u>	<u>957,677</u>	<u>(699,458)</u>	<u>1,978,245</u>
Other financing sources (uses):				
Capital lease agreements	278,051	258,338		536,389
Proceeds from sale of capital assets	76,600		1,785	78,385
Loan proceeds from Arizona Department of Transportation			487,500	487,500
Transfers in	517,734		1,191,134	1,708,868
Transfers out	(1,191,134)	(517,734)	-	(1,708,868)
Total other financing sources (uses)	<u>(318,749)</u>	<u>(259,396)</u>	<u>1,680,419</u>	<u>1,102,274</u>
Net change in fund balances	1,401,277	698,281	980,961	3,080,519
Fund balances, July 1, 2006	<u>10,733,087</u>	<u>7,310,205</u>	<u>6,783,866</u>	<u>24,827,158</u>
Fund balances, June 30, 2007	<u>\$ 12,134,364</u>	<u>\$ 8,008,486</u>	<u>\$ 7,764,827</u>	<u>\$ 27,907,677</u>

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

Gila County
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balances to the Statement of Activities
 Governmental Funds
 Year Ended June 30, 2007

Net change in fund balances - total governmental funds		\$ 3,080,519
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
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	\$ 5,293,861	
Depreciation expense	<u>(2,303,687)</u>	2,990,174
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		183,508
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
Debt issued or incurred	(1,023,889)	
Principal repaid	<u>1,420,042</u>	396,153
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	48,280	
Increase in landfill closure and postclosure care costs	<u>(380,608)</u>	<u>(332,328)</u>
Change in net assets of governmental activities		<u>\$ 6,318,026</u>

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

Gila County
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	Investment Trust Funds	Agency Funds
Assets		
Cash and investments	\$ 48,290,813	\$ 870,040
Total assets	48,290,813	\$ 870,040
Liabilities		
Due to other governments	-	139,149
Deposits held for others	-	730,891
Total liabilities	-	\$ 870,040
Net Assets		
Held in trust for investment trust participants	\$ 48,290,813	

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

Gila County
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2007

	<u>Investment Trust Funds</u>
Additions:	
Contributions from participants	\$ 108,146,610
Investment loss	<u>(230,529)</u>
Total additions	<u>107,916,081</u>
Deductions:	
Distributions to participants	<u>100,142,130</u>
Change in net assets	7,773,951
Net assets, July 1, 2006	<u>40,516,862</u>
Net assets, June 30, 2007	<u>\$ 48,290,813</u>

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

Gila County
Notes to Financial Statements
June 30, 2007

Note 1 – Summary of Significant Accounting Policies

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

For the year ended June 30, 2007, the County implemented the provisions of GASB Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments* that requires at the applicable transition date the retroactive capitalization and reporting of all major general infrastructure assets.

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 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 combined financial statements to emphasize they are legally separate from the County. Each blended component unit discussed below has a June 30 year-end. The County has no discretely presented component units.

The following table describes the County's component units:

Component Unit	Description; Criteria for Inclusion	Reporting Method	For Separate Financial Statements
Gila County Library District	Provides and maintains library services for County's residents; the County's Board of Supervisors serves as the board of directors	Blended	Not available
Gila County Street Lighting Districts	Operates and maintains street lighting in areas outside local city jurisdictions; the County's Board of Supervisors serves as the board of directors	Blended	Not available
Gila County Municipal Property Corporation	A nonprofit corporation that assists in the acquisition of tangible real and personal property; exists only to serve the County	Blended	Not available

Related Organizations

The Industrial Development Authority, Environmental Economic Community Organization, Eastern Arizona Counties Organization, Northern Gila County

Gila County
Notes to Financial Statements
June 30, 2007

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

B. Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the County as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements - provide information about the primary government (the County) and its component units. The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. Governmental activities generally are financed through taxes and intergovernmental revenues.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County does not allocate indirect expenses to programs or functions. Program revenues include:

- charges to customers or applicants for goods, services, or privileges provided,
- operating grants and contributions, and
- capital grants and contributions, including special assessments.

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

Gila County
Notes to Financial Statements
June 30, 2007

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

The County reports the following fund types:

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

The Agency Funds account for assets held by the County as an agent for the State and various local governments, and individuals and for property taxes collected and distributed to the State, local school districts, community college districts, and special districts.

C. Basis of Accounting

The government-wide and fiduciary fund financial statements are presented using the economic resources measurement focus, with the exception of the agency funds, and the accrual basis of accounting. The agency funds are custodial in nature and do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

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 susceptible to accrual are property taxes, intergovernmental, charges for services and investment income. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, 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.

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

Gila County
Notes to Financial Statements
June 30, 2007

program. The County applies grant resources to such programs before using general revenues.

D. Cash and Investments

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

E. Property Taxes Calendar

The County levies real and personal property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

F. Capital Assets

Capital assets are reported at actual cost or estimated historical cost if historical records are not available. Donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 5,000	N/A	N/A
Buildings	5,000	Straight-line	7-30 years
Improvements, other than buildings	5,000	Straight-line	20-40 years
Machinery and equipment	5,000	Straight-line	3-25 years
Infrastructure	50,000	Straight-line	7-50 years

G. Investment Income

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

H. Compensated Absences

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

Gila County
Notes to Financial Statements
June 30, 2007

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 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.

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 vested sick leave is recorded in the Statement of Net Assets.

Note 2 – Beginning Balances Restated

As required by GASB Statement No. 34, net assets on the government-wide Statement of Activities as of July 1, 2006, has been restated for the County's major general infrastructure assets acquired prior to the year ended June 30, 2003, the fiscal year in which the County implemented GASB Statement No. 34, consisting of road networks and flood control networks that were constructed, purchased or donated to the County, or that received substantial improvements subsequent to July 1, 1980. Also, the County restated net assets at July 1, 2006 for the net effect of the change in the capitalization threshold for infrastructure assets from \$10,000 to \$50,000 and to correct for prior years' errors in the recording of certain capital assets and the related accumulated depreciation of those capital assets.

Government-Wide Statements	Governmental Activities
Net assets as of June 30, 2006, as previously reported	\$ 36,621,722
General infrastructure assets, net of accumulated depreciation	3,648,417
Change in capitalization threshold and correction of prior years' errors in capital assets	(53,003)
Net assets as of July 1, 2006, as restated	<u>\$ 40,217,136</u>

Note 3 – Individual Fund Deficits

The following Special Revenue Funds had fund deficits in excess of \$1,000 as of June 30, 2007:

Fund	Fund Name	Deficit
185	Drug Enforcement/Superior Court	\$ 2,471
194	Housing Department	106,178
239	Health Services Fund	4,780
270	Globe Safe Schools	5,112
371	Family Law Commissioner	2,000
384	State Homeland Security Grant Fund–2005	55,164
419	Teen Pregnancy Prevention Services	20,492

Gila County
Notes to Financial Statements
June 30, 2007

Fund	Fund Name	Deficit
449	Gila County Wellness Program	2,788
456	Narcotics Task Force–Sheriff	275,390
475	Sheriff Boating Law Enforcement and Safety Fund	86,461
510	Homeland Security Grant Fund Sheriff–2004	1,537
513	Homeland Security Grant Fund Sheriff–2005	249,407
548	Drug Prosecution Grant	17,527
561	Library District Grants	5,450
562	Library Assistance	89,687
A110	ESEA Title I—Helping Disadvantaged Children	5,753
Z185	Title VI—Improving Teacher Quality State Grants	2,451
Z300	Fund for the Improvement of Education	7,679
Z444	Rim Guidance Center	3,739
Z901	Workshop Fees	3,946

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; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; and specified commercial paper, bonds, debentures, and notes issued by corporations organized and doing business in the United States. In addition, the County Treasurer may invest trust funds in fixed income securities of corporations doing business in the United States or District of Columbia.

Credit risk

Statutes have the following requirements for credit risk:

1. Commercial paper must be rated P1 by Moody's investors service or A1 or better by Standard and Poor's rating service.
2. Corporate bonds, debentures, and notes must be rated A or better by Moody's investors service or Standard and Poor's rating service.
3. Fixed income securities must carry one of the two highest ratings by Moody's investors service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk

Statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

Concentration of credit risk

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

Gila County
Notes to Financial Statements
June 30, 2007

Interest rate risk

Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years and that public operating fund monies invested in securities and deposits have a maximum of 3 years. Investments in repurchase agreements must have a maximum maturity of 180 days.

Foreign currency risk

Statutes do not allow foreign investments.

Deposits - At June 30, 2007, the carry amount of the County's deposits was \$533,092 and the bank balance was \$2,681,831. The County does not have a formal policy with respect to custodial credit risk.

At June 30, 2007, \$4,828 of the County's bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments - The County's investments at June 30, 2007, were as follows:

Investment Type	Amount
U.S. agency securities	\$ 69,104,128
Repurchase agreement (Collateralized by Federal Agency Securities)	6,160,162
U.S. Treasury money market fund	327,123
	<u>\$ 75,591,413</u>

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

At June 30, 2007, credit risk for the County's investments was as follows:

Investment Type	Rating	Rating Agency	Amount
U.S. agency securities	Aaa	Moody's	\$ 69,104,128
Repurchase agreement (Collateralized by Federal Agency Securities)	Aaa	Moody's	6,160,162
U.S. Treasury money market fund	Unrated	Not applicable	327,123
			<u>\$ 75,591,413</u>

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

At June 30, 2007, the County had a \$327,123 investment reported in the General Fund. The investment was held by a trustee in a U. S. Treasury money market fund and was uninsured, not registered in the County's name, and held by the counterparty.

Concentration of credit risk - Concentration of credit risk is the risk of loss associated with the significance of investments in a single issuer. The County does not have a formal policy with respect to concentration of credit risk.

Gila County
Notes to Financial Statements
June 30, 2007

More than 5 percent of the County's investments at June 30, 2007, were in debt securities of various U.S. agencies as follows:

U.S. Agency	Amount	Percent of County Investments
Federal Home Loan Mortgage Corporation	\$ 29,195,315	38.6
Federal Home Loan Bank System	22,706,781	30.0
Federal National Mortgage Association	12,298,912	16.3
Repurchase agreement (Collateralized by Federal Agency Securities)	6,160,162	8.1
Federal Farm Credit Banks	4,903,120	6.5
	<u>\$ 75,264,290</u>	

Interest rate risk - Interest rate risk is the risk that changes in interest rates will adversely affect an investment's fair value. The County does not have a formal policy with respect to interest rate risk.

At June 30, 2007, interest rate risk for the County's debt securities was as follows:

Investment Type	Amount	Investment Maturities	
		Less than 1 Year	1-5 Years
U.S. agency securities	\$ 69,104,128	\$ 53,075,374	\$ 16,028,754
Repurchase agreement (Collateralized by Federal Agency Securities)	6,160,162	6,160,162	-
U.S. Treasury money market fund	327,123	327,123	-
	<u>\$ 75,591,413</u>	<u>\$ 59,562,659</u>	<u>\$ 16,028,754</u>

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

	Statement of Net Assets		Statement of Fiduciary Net Assets	
	Governmental Activities	Investment Trust Funds	Agency Funds	Total
Cash, deposits, and investments:				
Cash on hand	\$ 6,000			
Amount of deposits	533,092			
Amount of investments	75,591,413			
Total	<u>\$ 76,130,505</u>			
Cash and investments	\$ 26,642,529	\$ 48,290,813	\$ 870,040	\$ 75,803,382
Cash and investments held by trustee	327,123	-	-	327,123
Total	<u>\$ 26,969,652</u>	<u>\$ 48,290,813</u>	<u>\$ 870,040</u>	<u>\$ 76,130,505</u>

Note 5 – Due from Other Governments

Amounts due from other governments at June 30, 2007, in the Statement of Net Assets include \$420,086 in Highway User Revenues, \$307,110 in County excise tax, \$292,051 in County Transportation tax, \$274,344 in auto lieu taxes, \$255,779 in sales tax, \$264,413 in Workforce Investment Act grant, \$320,347 in other community service grants, \$198,448 in other federal grants, \$192,186 in state grants, and

Gila County
Notes to Financial Statements
June 30, 2007

\$288,392 in reimbursements and charges for services due from various government agencies.

Note 6 – Capital Assets

Capital asset activity for the year ended June 30, 2007, was as follows:

	Balance July 1, 2006 as restated	Increases	Decreases	Balance June 30, 2007
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,974,077			\$ 3,974,077
Construction in progress (estimated cost to complete \$4,017,457)	1,010,417	\$ 2,322,774	\$ 2,062,755	1,270,436
Total capital assets not being depreciated	4,984,494	2,322,774	2,062,755	5,244,513
Capital assets being depreciated:				
Buildings	18,527,518	182,351		18,709,869
Improvements other than buildings	349,415	26,071		375,486
Machinery and equipment	20,901,974	2,893,819		23,795,793
Infrastructure	10,364,573	1,931,601	98,303	12,197,871
Total capital assets being depreciated	50,143,480	5,033,842	98,303	55,079,019
Less accumulated depreciation for:				
Buildings	11,761,175	420,074		12,181,249
Improvements other than buildings	39,860	16,526		56,386
Machinery and equipment	15,471,120	1,455,359		16,926,479
Infrastructure	4,798,600	411,728	98,303	5,112,025
Total accumulated depreciation	32,070,755	2,303,687	98,303	34,276,139
Total capital assets being depreciated, net	18,072,725	2,730,155	-	20,802,880
Governmental activities capital assets, net	\$ 23,057,219	\$ 5,052,929	\$ 2,062,755	\$ 26,047,393

Restatement of Beginning Capital Assets Balance

Capital assets have been restated to comply with GASB 34 for retroactive reporting of general infrastructure assets and correct errors made in accounting for increases (decreases) in the cost and accumulated depreciation. In addition, equipment and vehicles previously reported separately are combined and shown as machinery and equipment. The restatements are as follows:

	Balance July 1, 2006 as previously reported	Increases	Decreases	Balance July 1, 2006 as restated
Governmental activities:				
Land	\$ 4,368,950		\$ 394,873	\$ 3,974,077
Construction in progress	977,271	\$ 33,146		1,010,417
Buildings	18,573,817		46,299	18,527,518
Improvements other than buildings	295,860	53,555		349,415
Machinery and equipment	21,971,897	7,940,657	9,010,580	20,901,974
Infrastructure	2,253,262	8,111,311		10,364,573

Gila County
Notes to Financial Statements
June 30, 2007

	Balance July 1, 2006 as previously reported	Increases	Decreases	Balance July 1, 2006 as restated
Less accumulated depreciation for:				
Buildings	11,840,084		78,909	11,761,175
Improvements other than buildings	7,796	32,064		39,860
Machinery and equipment	16,945,938	6,147,339	7,622,157	15,471,120
Infrastructure	185,434	4,613,166	-	4,798,600
<i>Totals</i>	<u>\$ 19,461,805</u>	<u>\$ 5,346,100</u>	<u>\$ 1,750,686</u>	<u>\$ 23,057,219</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 784,154
Public safety	411,903
Highways and streets	750,940
Health	355,352
Culture and recreation	651
Education	687
Total governmental activities depreciation expense	<u>\$ 2,303,687</u>

Construction Commitments

The County has active construction projects as of June 30, 2007, with estimated costs to complete of \$4,017,457 of which the more significant of these projects includes the Ice House Bridge and Fossil Creek Road phase II project. The projects are financed through loan proceeds.

Note 7 – Line of Credit

The County maintains a revolving line of credit with a \$3,500,000 limit and interest payable at the same time as principal, which is contingent on the County's receipt of "nonrestricted operating revenues" as defined by A.R.S. §11-604.01. The credit line is secured by "nonrestricted" operating revenues received by the County Treasurer. Any unpaid principal and interest becomes due on the maturity date of June 30, 2007. The interest rate is at the bank's prime rate less 3.55% for fiscal year 2007. As of June 30, 2007, the County had no outstanding balance on this credit line.

Gila County
Notes to Financial Statements
June 30, 2007

Note 8 – Long-Term Liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2007:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Due within 1 year
Governmental activities:					
Certificates of participation payable	\$ 2,045,000	\$ -	\$ 205,000	\$ 1,840,000	\$ 215,000
ADOT loans payable	1,080,595	487,500	569,375	998,720	691,250
Capital leases payable	1,441,615	536,389	645,667	1,332,337	629,082
Landfill closure and postclosure care costs payable	1,992,051	380,608	-	2,372,659	-
Compensated absences payable	1,255,158	1,445,135	1,493,415	1,206,878	1,206,878
Governmental activities long-term liabilities	<u>\$ 7,814,419</u>	<u>\$ 2,849,632</u>	<u>\$ 2,913,457</u>	<u>\$ 7,750,594</u>	<u>\$ 2,742,210</u>

Certificates of participation - During the year ended June 30, 2000, the County issued \$3,245,000 in certificates of participation with an interest rate of 6.4 percent to finance renovation costs for a newly-acquired county administration building and several other County buildings, and to refund the outstanding 1991 Series A certificates of participation. The certificates are generally noncallable, with interest payable semiannually.

Certificates outstanding at June 30, 2007, were as follows:

Description	Interest Rates	Maturities	Outstanding Principal July 1, 2006	Issues	Retirements	Outstanding Principal June 30, 2007
Series 1999	6.4%	11/24/07-5/24/14	\$ 2,045,000	\$ -	\$ 205,000	\$ 1,840,000

The following schedule details debt service requirements to maturity for the County's certificates of participation payable at June 30, 2007:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2008	\$ 215,000	\$ 114,400
2009	230,000	100,320
2010	245,000	85,440
2011	260,000	69,440
2012	280,000	52,480
2013-2014	610,000	49,600
Total	<u>\$ 1,840,000</u>	<u>\$ 471,680</u>

ADOT Loan – On May 27, 2003, the County received a \$1,237,500 loan from the Arizona Department of Transportation (ADOT). The purpose of this loan is to fund the construction improvement of Fossil Creek Road. The loan calls for quarterly

Gila County
Notes to Financial Statements
June 30, 2007

payments of principal and interest at 1.428%, beginning on June 15, 2004, and ending on March 15, 2009.

On September 10, 2004, the County received a \$600,000 loan from the Arizona Department of Transportation (ADOT). The purpose of this loan is to fund the construction improvement of Six Shooter Canyon Road. The loan calls for quarterly payments of principal and interest at 1.805%, beginning on September 15, 2005, and ending on June 15, 2008.

On November 1, 2006, the County received a \$487,500 loan from the Arizona Department of Transportation (ADOT). The purpose of this loan is to fund the construction improvement of Six Shooter Canyon Road and Bridge Project. The loan calls for quarterly payments of principal and interest at 3.123%, beginning on March 15, 2007, and ending on December 15, 2008.

The following schedule details debt service requirements to maturity for the County's loans with ADOT:

Year Ending June 30	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 691,250	\$ 15,679
2009	307,470	2,752
Total	<u>\$ 998,720</u>	<u>\$ 18,431</u>

Capital leases - The County has acquired land and equipment under the provisions of various long-term lease agreements classified as capital leases for accounting purposes because they provide for a bargain purchase option or a transfer of ownership by the end of the lease term.

The assets acquired through capital leases are as follows:

Land	\$ 3,000,000
Equipment	1,998,752
Less: accumulated depreciation	<u>392,985</u>
Carrying value	<u>\$ 4,605,767</u>

The following schedule details debt service requirements to maturity for the County's capital leases payable at June 30, 2007:

Year Ending June 30	
2008	\$ 677,544
2009	309,804
2010	242,663
2011	65,911
2012	<u>148,434</u>
Total minimum lease payments	1,444,356
Less amount representing interest	<u>112,019</u>
Present value of net minimum lease payments	<u>\$ 1,332,337</u>

Gila County
Notes to Financial Statements
June 30, 2007

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 period that the County operates the landfill. These costs will be paid from the General Fund.

The amount recognized each year is based on landfill capacity used at the end of each fiscal year. The \$2,372,659 reported as landfill closure and postclosure care liability at June 30, 2007, represents the cumulative amount reported to date based on the approximate use of 51 percent of the estimated capacity of the Buckhead Mesa Landfill and 44 percent of the Russell Gulch Landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$2,637,434 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 2007.

The County has closed four of its landfills as of June 30, 1996, and expects to close the two remaining landfills in 2017 and 2018. The actual costs may also be higher due to inflation, changes in technology, or changes in regulations. The County is planning for expansion of these landfills to extend their useful lives.

In order to comply with state and federal laws and regulations, the County obtained a letter of credit on September 22, 1999, to ensure the costs of landfill closure, postclosure, and possible corrective action can be met. As part of the agreement for the line of credit, the County established a mandatory sinking fund with an escrow agent. The sinking fund balance will equal the estimated landfill closure and postclosure care costs when the landfills are expected to close. The County entered this agreement as an alternative to complying with the local government financial test requirements.

Insurance Claims - The County provides life, health, and disability benefits to its employees and their dependents through the Arizona Local Government Employee Benefit Trust currently composed of six member counties. The Trust provides the benefits through a self-funding agreement with its participants and administers the program. The County is responsible for paying the premium and requires its employees to contribute a portion of that premium. If it withdraws from the Trust, the County is responsible for any claims run-out costs, including claims reported but not settled, claims incurred but not reported, and administrative costs. If the Trust were to terminate, the County would be responsible for its proportional share of any Trust deficit.

Compensated Absences - Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During the fiscal year 2007, the County paid for compensated absences as follows: 64% from the General Fund, 13% from the Public Works Fund, and 23% from other governmental funds.

Gila County
Notes to Financial Statements
June 30, 2007

Note 9 – Risk Management

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

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 11 member counties. The pool provides member counties catastrophic loss coverage for risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters; and provides risk management services. Such coverage includes all defense costs as well as the amount of any judgment or settlement. The County is responsible for paying a premium, based on its exposure in relation to the exposure of the other participants, and a deductible of \$25,000 per occurrence for property claims and \$25,000 per occurrence for liability claims. The County is also responsible for any payments in excess of the maximum coverage of \$100 million per occurrence for property claims and \$15 million per occurrence for liability claims. However, lower limits apply to certain categories of losses. A county must participate in the pool at least three years after becoming a member; however, it may withdraw after the initial three-year period. If the pool were to become insolvent, the County would be assessed an additional contribution.

The Arizona Counties Workers' Compensation Pool is a public entity risk pool currently composed of 11 member counties. The pool provides member counties with workers' compensation coverage, as required by law, and risk management services. The County is responsible for paying a premium, based on an experience rating formula, that allocates pool expenditures and liabilities among the members.

The Arizona Counties Property and Casualty Pool and the Arizona Counties Workers' Compensation Pool receive independent audits annually and an audit by the Arizona Department of Insurance every 5 years. Both pools accrue liabilities for losses that have been incurred but not reported. These liabilities are determined annually based on an independent actuarial valuation.

Note 10 – Retirement Plans

Plan Descriptions

The County contributes to the four plans described below. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits.

The *Arizona State Retirement System (ASRS)* administers a cost-sharing multiple-employer defined benefit pension plan that covers employees of the State of Arizona and employees of participating political subdivisions and school districts. The ASRS

Gila County
Notes to Financial Statements
June 30, 2007

is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

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

The *Corrections Officer Retirement Plan* (CORP) is an agent multiple-employer defined benefit pension plan that covers certain employees of the State of Arizona, Departments of Corrections and Juvenile Corrections, and County employees whose primary duties require direct inmate contact. The CORP is governed by The Fund Manager of PSPRS and participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

The *Elected Officials Retirement Plan* (EORP) is a cost-sharing multiple-employer defined benefit pension plan that covers State of Arizona and county elected officials and judges, and elected officials of participating cities. The EORP is governed by The Fund Manager of PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 3.

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

ASRS

3300 N. Central Ave.
P.O. Box 33910
Phoenix, AZ 85067-3910
(602) 240-2000 or (800) 621-3778

PSPRS, CORP and EORP

3010 E. Camelback Rd, Suite 200
Phoenix, AZ 85016-4416
(602) 255-5575

Funding Policy

The Arizona State Legislature establishes and may amend active plan members' and the County's contribution rates.

Cost-sharing plans - For the year ended June 30, 2007, active ASRS members and the County were each required by statute to contribute at the actuarially determined rate of 9.1 percent (8.6 percent retirement and 0.5 percent long-term disability) of the members' annual covered payroll. The County's contributions to ASRS for the years ended June 30, 2007, 2006, and 2005 were \$1,541,864, \$1,208,671, and \$871,221, respectively, which were equal to the required contributions for the year.

In addition, active EORP members were required by statute to contribute 7 percent of the members' annual covered payroll. The County was required to remit a designated portion of certain court fees plus additional contributions of 6 percent of the members' annual covered payroll, as determined by actuarial valuation. The

Gila County
Notes to Financial Statements
June 30, 2007

County's contributions to EORP for the years ended June 30, 2007, 2006, and 2005 were \$113,227, \$123,955, and \$57,105, respectively, which were equal to the required contributions for the year.

Agent plans—For the year ended June 30, 2007, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 20.59 percent. Active CORP members were required by statute to contribute 8.50 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 7.11 percent for its corrections officers and 6.64 percent for its dispatchers.

Annual Pension Cost – The County's pension cost for the agent plans for the year ended June 30, 2007 and related information follow.

	PSPRS	CORP
Contribution rates:		
County	20.59%	7.11% and 6.64%
Plan members	7.65%	8.50%
Annual pension costs	\$ 246,045	\$ 131,109
Contributions made	\$ 246,045	\$ 131,109

The current-year annual required contribution for the PSPRS and CORP was determined as a part of its June 30, 2005, actuarial valuation using the project unit credit actuarial cost method. The actuarial assumptions included (a) 8.5 percent investment rate of return and (b) projected salary increases ranging from 5.5 percent to 8.5 percent per year. (B) included an inflation component of 5.00 percent. The assumptions did not include cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 7-year period. The unfunded (excess) actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2005, was 30 years.

Trend Information – Annual pension cost information for the current and two preceding years follows for each of the agent plans:

<u>Plan</u>	<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PSPRS	2007	\$ 246,045	100%	\$ -
	2006	231,563	100%	-
	2005	192,362	100%	-
CORP	2007	\$ 131,109	100%	\$ -
	2006	130,368	100%	-
	2005	54,812	100%	-

Gila County
Notes to Financial Statements
June 30, 2007

Note 11 – Interfund Balances and Activity

Interfund receivables and payables – Interfund balances at June 30, 2007, were as follows:

<u>Payable From</u>	<u>Payable To</u>		<u>Total</u>
	General Fund	Nonmajor Governmental Funds	
Public Works Fund	\$ -	\$ 467,636	\$ 467,636
Nonmajor Governmental Funds	1,455,683	-	1,455,683
Total	<u>\$ 1,455,683</u>	<u>\$ 467,636</u>	<u>\$ 1,923,319</u>

Interfund balances resulted from time lags between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers – Interfund transfers for the year ended June 30, 2007, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>		<u>Total</u>
	General Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 1,191,134	\$ 1,191,134
Public Works Fund	517,734	-	517,734
Total	<u>\$ 517,734</u>	<u>\$ 1,191,134</u>	<u>\$ 1,708,868</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments are due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 12 – 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.

Gila County
Notes to Financial Statements
June 30, 2007

A majority of all deposits and investments of the County's primary government are included in the County Treasurer's investment pool, except for \$252,763 of deposits and \$327,123 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.

At June 30, 2007, the carrying amount of the County Treasurer's operating accounts on deposit was \$(589,711).

Details of each investment classification follow:

<u>Investment Type</u>	<u>Principal</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Fair Value</u>
U.S. government securities	\$ 69,469,326	2.7-5.2%	7/20/07-9/11/09	\$ 69,104,128
Repurchase agreement	6,160,162	Unknown	7/1/07	6,160,162

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

Statement of Net Assets

Assets	\$ 74,680,579
Liabilities	-
Net assets	<u>\$ 74,680,579</u>
Net assets held in trust for:	
Internal participants	\$ 26,389,766
External participants	48,290,813
Total net assets held in trust	<u>\$ 74,680,579</u>

Statement of Changes in Net Assets

Total additions	\$ 189,360,136
Total deductions	<u>179,010,811</u>
Net increase	10,349,325
Net assets held in trust	
July 1, 2006	<u>64,331,254</u>
June 30, 2007	<u>\$ 74,680,579</u>

Other Required Supplementary Information

Gila County
 Required Supplementary Information
 Schedule of Agent Retirement Plans' Funding Progress
 June 30, 2007

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
Public Safety Personnel Retirement System						
6/30/2007	\$ 5,670,728	\$ 8,896,666	(3,225,938)	63.7%	1,814,801	177.8%
6/30/2006	6,272,366	8,250,167	(1,977,801)	76.0%	1,636,540	120.9%
6/30/2005	6,118,732	7,733,325	(1,614,593)	79.1%	1,599,123	101.0%
Corrections Officer Retirement Plan						
Corrections Officers						
6/30/2007	\$ 1,510,068	\$ 1,617,012	\$ (106,944)	93.4%	\$ 2,193,427	4.9%
6/30/2006	1,335,104	1,262,314	72,790	105.8%	1,843,708	N/A
6/30/2005	957,988	828,966	129,022	115.6%	1,466,915	N/A
Dispatchers						
6/30/2007	\$ 1,064,231	\$ 1,177,455	\$ (113,224)	90.4%	\$ 804,833	14.1%
6/30/2006	954,549	910,955	43,594	104.8%	630,779	N/A
6/30/2005	776,004	813,612	(37,608)	95.4%	639,899	5.9%

Gila County
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 Year Ended June 30, 2007

	Original/ Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Taxes	\$ 20,764,570	\$ 20,977,303	\$ 212,733
Licenses and permits	412,000	611,291	199,291
Intergovernmental	11,197,425	11,420,701	223,276
Charges for services	2,985,000	4,050,906	1,065,906
Fines and forfeits	615,000	799,894	184,894
Donations and contributions	-	24	24
Investment income	175,000	280,873	105,873
Miscellaneous	725,706	125,263	(600,443)
Total revenues	36,874,701	38,266,255	1,391,554
Expenditures:			
<i>Current:</i>			
General government			
Administrative Services	130,152	102,292	27,860
Assessor	883,335	802,087	81,248
Auctions	-	6,529	(6,529)
Board of Supervisors	836,281	1,035,591	(199,310)
Community Development	1,109,560	1,184,957	(75,397)
Computer Services	743,058	705,531	37,527
Computer Upgrade	185,000	184,042	958
Constituent Services	300,000	290,486	9,514
Elections	412,907	424,765	(11,858)
Facilities Management	938,316	860,111	78,205
Finance	529,367	516,092	13,275
General Administration	608,765	943,601	(334,836)
Industrial Development Authority	125,000	-	125,000
Natural Resources	250,000	281,568	(31,568)
Payroll Costs	235,000	255,580	(20,580)
Personnel	223,940	225,338	(1,398)
Professional Services	269,368	217,641	51,727
Purchasing	80,750	55,001	25,749
Recorder	650,117	715,829	(65,712)
Rural Addressing	130,385	75,965	54,420
Treasurer	459,091	472,464	(13,373)
Water Supply Development	100,000	55,891	44,109

(continued)

Gila County
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 Year Ended June 30, 2007

	Original/ Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
General government - continued			
Judicial Services			
County Attorney	\$ 1,580,550	\$ 1,769,905	\$ (189,355)
County Attorney - Child Support	789,155	662,326	126,829
Constable - Globe	101,297	95,635	5,662
Constable - Payson	141,460	141,580	(120)
Justice Court - Globe	589,652	561,889	27,763
Justice Court - Payson	512,784	496,791	15,993
Indigent Legal Defense	1,196,278	1,075,749	120,529
Clerk of the Superior Court	1,125,293	1,082,558	42,735
Superior Court - Division I	232,829	216,101	16,728
Superior Court - Division II	211,480	207,148	4,332
Superior Court - General	901,675	743,112	158,563
Court System Multi-Information Systems	314,661	314,632	29
Total general government	<u>16,897,506</u>	<u>16,778,787</u>	<u>118,719</u>
Public safety			
County Sheriff	6,674,078	6,932,637	(258,559)
County Sheriff - Detention Health Services	521,618	507,396	14,222
County Sheriff - Facilities Management	305,257	258,160	47,097
Dude Fire Emergency		9,226	(9,226)
Emergency Services	418,599	272,942	145,657
Flood Plain Management	239,890	162,969	76,921
Juvenile Detention	1,155,424	1,076,677	78,747
Probation	853,814	859,418	(5,604)
9-1-1	366,128	446,489	(80,361)
Total public safety	<u>10,534,808</u>	<u>10,525,914</u>	<u>8,894</u>
Welfare			
AHCCCS Contributions	4,073,570	3,944,607	128,963
Indigent Health	25,000	16,638	8,362
Community Agencies	246,500	167,267	79,233
Public Fiduciary	353,583	400,775	(47,192)
Total welfare	<u>4,698,653</u>	<u>4,529,287</u>	<u>169,366</u>

(continued)

See accompanying notes to budgetary comparison schedule.

Gila County
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 Year Ended June 30, 2007

	Original/ Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Sanitation			
Solid Waste Management	\$ 2,600,000	\$ 1,208,548	\$ 1,391,452
Culture and recreation			
Fairgrounds	244,755	250,074	(5,319)
Education			
School Superintendent	351,618	380,634	(29,016)
Special School Reserve	15,000	360	14,640
Gila County Community College	250,000	250,000	-
Total education	616,618	630,994	(14,376)
Reserve	965,000	-	965,000
Contingency	1,104,889	-	1,104,889
<i>Capital outlay</i>	1,437,000	1,393,272	43,728
<i>Debt service:</i>			
Principal retirement	499,000	791,438	(292,438)
Interest and fiscal charges	-	159,864	(159,864)
Total debt service	499,000	951,302	(452,302)
Total expenditures	39,598,229	36,268,178	3,330,051
Excess (deficiency) of revenues over expenditures	(2,723,528)	1,998,077	4,721,605
Other financing sources (uses):			
Proceeds from sale of capital assets	30,000	76,600	46,600
Transfers in	891,000	517,734	(373,266)
Transfers out	(259,301)	(1,191,134)	(931,833)
Total other financing sources and uses	661,699	(596,800)	(1,258,499)
Net change in fund balances	(2,061,829)	1,401,277	3,463,106
Fund balances, July 1, 2006	2,061,829	10,733,087	8,671,258
Fund balances, June 30, 2007	\$ -	\$ 12,134,364	\$ 12,134,364

See accompanying notes to budgetary comparison schedule.

Gila County
 Required Supplementary Information
 Budgetary Comparison Schedule
 Public Works Fund
 Year Ended June 30, 2007

	Original/ Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Taxes	\$ 3,038,626	\$ 3,410,721	\$ 372,095
Licenses and permits	8,800	7,486	(1,314)
Intergovernmental	7,473,233	5,634,102	(1,839,131)
Charges for services	-	180,584	180,584
Investment income	84,000	269,475	185,475
Total revenues	<u>10,604,659</u>	<u>9,502,368</u>	<u>(1,102,291)</u>
Expenditures:			
<i>Current:</i>			
Highways and streets			
Administrative services	1,183,251	684,598	498,653
Engineering services	1,187,697	1,204,348	(16,651)
Survey department	449,488	240,476	209,012
Road maintenance and repair	4,819,981	3,136,071	1,683,910
Maintenance shops	1,435,101	994,837	440,264
Emergency reserve	4,699,596	-	4,699,596
Total highways and streets	<u>13,775,114</u>	<u>6,260,330</u>	<u>7,514,784</u>
<i>Capital outlay</i>	<u>4,429,545</u>	<u>1,411,149</u>	<u>3,018,396</u>
<i>Debt service</i>			
Principal retirement	-	585,269	(585,269)
Interest and fiscal charges	-	29,605	(29,605)
Total debt service	<u>-</u>	<u>614,874</u>	<u>(614,874)</u>
Total expenditures	<u>18,204,659</u>	<u>8,286,353</u>	<u>9,918,306</u>
Excess (deficiency) of revenues over expenditures	(7,600,000)	1,216,015	8,816,015
Other financing uses:			
Transfers out	-	(517,734)	(517,734)
Total other financing uses	<u>-</u>	<u>(517,734)</u>	<u>(517,734)</u>
Net change in fund balances	(7,600,000)	698,281	8,298,281
Fund balances, July 1, 2006	7,600,000	7,310,205	(289,795)
Fund balances, June 30, 2007	<u>\$ -</u>	<u>\$ 8,008,486</u>	<u>\$ 8,008,486</u>

See accompanying notes to budgetary comparison schedule.

Gila County
 Required Supplementary Information
 Notes to Budgetary Comparison Schedules
 Year Ended June 30, 2007

Note 1 - Budgeting and Budgetary Control

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

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

Note 2 – Budgetary Basis of Accounting

The County's adopted budget is prepared on a basis consistent with generally accepted accounting principles, with the following exception. The County does not budget for either the other financing source or the capital outlays associated with the acquisition of assets under capital lease agreements. Consequently, the following reconciliation is necessary to present actual expenditures and other financing sources on a budgetary basis for the year ended June 30, 2007, in order to provide a meaningful comparison.

	General Fund		Public Works Fund	
	Total Expenditures	Total Other Financing Sources (Uses)	Total Expenditures	Total Other Financing Sources (Uses)
Amounts from the Statement of Revenues, Expenditures, and Changes in Fund Balances	\$ 36,546,229	\$ (318,749)	\$ 8,544,691	\$ (259,396)
Capital outlays and financing sources for assets acquired by capital lease agreements, not budgeted	(278,051)	(278,051)	(258,338)	(258,338)
Amounts from the budgetary comparison schedules	<u>\$ 36,268,178</u>	<u>\$ (596,800)</u>	<u>\$ 8,286,353</u>	<u>\$ (517,734)</u>

Note 3 – Expenditures in Excess of Appropriations

For the year ended June 30, 2007, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

Gila County
 Required Supplementary Information
 Notes to Budgetary Comparison Schedules
 Year Ended June 30, 2007

Fund/Department	Excess
General Fund:	
Auctions	\$ 6,529
Board of Supervisors	199,310
Community Development	75,397
Elections	11,858
General Administration	334,836
Natural Resources	31,568
Payroll Costs	20,580
Personnel	1,398
Recorder	65,712
Treasurer	13,373
County Attorney	189,355
Constable - Payson	120
County Sheriff	258,559
Dude Fire Emergency	9,226
Probation	5,604
9-1-1	80,361
Public Fiduciary	47,192
Fairgrounds	5,319
School Superintendent	29,016
Principal retirement	292,438
Interest and fiscal charges	159,864
Transfers in	373,266
Transfers out	931,833
Public Works Fund:	
Highways and streets - Engineering services	16,651
Principal retirement	585,269
Interest and fiscal charges	29,605
Transfers out	517,734

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

Supplementary Information

Gila County
 Supplementary Information
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2007

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture			
Passed through the Arizona Department of Health Services			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	HG361075	\$ 193,111
Commodity Supplemental Food Program	10.565	HG361101	3,788
Passed through the Arizona State Treasurer			
Schools and Roads – Grants to States	10.665	None	184,106
Collaborative Forest Restoration	10.679	05-DG-11030121-006	1,755
Total U.S. Department of Agriculture			382,760
U.S. Department of Housing and Urban Development			
Section 8 Housing Choice Vouchers	14.871		283,996
Passed through the Arizona Department of Commerce			
Community Development Block Grants/State's Program	14.228	105-04, 126-05, 179-06	163,116
Passed through the Arizona Department of Economic Security			
Emergency Shelter Grants Program	14.231	E6306015	6,311
Passed through the Arizona Department of Housing			
Home Investment Partnerships Program	14.239	313-04, 309-06	198,124
Total U.S. Department of Housing and Urban Development			651,547
U.S. Department of Justice			
Passed through the Arizona Criminal Justice Commission			
Crime Victim Compensation	16.576	VC-07-052	10,947
Edward Byrne Memorial Formula Grant Program	16.579	AC-07-110	97,180
Total U.S. Department of Justice			108,127
U.S. Department of Labor			
Passed through the Arizona Department of Economic Security			
Workforce Investment Act Cluster:			
WIA Adult Program	17.258	E5704004, DE07113, E5706006	538,820
WIA Youth Activities	17.259	DE071137, E5705004, E5706006	539,840
WIA Dislocated Workers	17.260	E5704004, DE071137, E5706006	1,289,934
Total Workforce Investment Act Cluster			2,368,594

(Continued)

See accompanying notes to schedule.

Gila County
Supplementary Information
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Incentive Grants – WIA Section 503	17.267	DE071137	<u>1,840</u>
Total U.S. Department of Labor			<u>2,370,434</u>
U.S. Department of Transportation			
Passed through the Arizona Department of Transportation			
Gila County Gateway Enhancement	20.Unknown	TEA-GGI-0(200)8	8,500
Passed through the Arizona Department of Emergency Services and Military Affairs			
Interagency Hazardous Materials Public Sector Training and Planning Grant	20.703	None	<u>1,150</u>
Total U.S. Department of Transportation			<u>9,650</u>
U.S. Office of Library Services			
Passed through the Arizona Department of Environmental Quality			
Nonpoint Source Implementation Grants	66.460	EV05-0021, EV05-0028	<u>78,183</u>
Total U.S. Office of Library Services			<u>78,183</u>
U.S. Department of Energy			
Passed through the Arizona Department of Commerce			
Weatherization Assistance for Low-Income Persons	81.042	048-04, 006-06	<u>98,858</u>
Total U.S. Department of Energy			<u>98,858</u>
U.S. Department of Education			
Fund for the Improvement of Education	84.215		101,291
Passed through the Arizona Department of Education			
Title I Grants to Local Educational Agencies	84.010	S010A030003, S010A060003	37,887
Education Technology State Grants	84.318	S318X060003	43,801
Reading First State Grants	84.357	S357A020003	11,784
English Language Acquisition Grants	84.365	T365A060003	19,199
Mathematics and Science Partnerships	84.366	S366B070003	57,537

(Continued)

See accompanying notes to schedule.

Gila County
 Supplementary Information
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2007

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Passed through the Arizona Supreme Court			
Title I Program for Neglected and Delinquent Children	84.013	28206	14,178
Safe and Drug-Free School and Committees – State Grants	84.186	28206	634
State Grants for Innovative Programs	84.298	28206	192
Passed through the Arizona Department of Education			
Special Education – Grants to State	84.027	H027A0600007	20,662
Passed through the Arizona Supreme Court			
Special Education – Grants to State	84.027	28206	18,217
Total Special Education – Grants to State			38,879
Passed through the Arizona Department of Education			
Improving Teacher Quality State Grants	84.367	S367A60049	99,625
Passed through the Arizona Supreme Court			
Improving Teacher Quality State Grants	84.367	28206	1,834
Total Improving Teacher Quality State Grants			101,459
Passed through the Arizona Department of Economic Security			
Rehabilitation Services – Vocational Rehabilitation Grants to States	84.126	E5344530	78,552
Total U.S. Department of Education			505,393
U.S. Department of Health and Human Services			
Passed through the Arizona Department of Health Services			
Immunization Grants	93.268	HG352192	62,364
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283	252042, HG754195	334,470
HIV Prevention Activities – Health Department Based	93.940	HG352240	6,476
Preventive Health and Health Services Block Grant	93.991	HG354179	238
Maternal and Child Health Services Block Grant, Special Needs	93.994	HG461413-014	200
Passed through the Arizona Department of Economic Security			
Temporary Assistance for Needy Families	93.558	E6306115	150,000
Child Support Enforcement	93.563	DES06725-1	856,533
Low-Income Home Energy Assistance	93.568	E6306015	131,909
Community Services Block Grant	93.569	E6306015	129,040
Social Services Block Grant	93.667	E6306015	9,975
HIV Care Formula Grants	93.917	HP652141-001	48,915

(Continued)

See accompanying notes to schedule.

Gila County
 Supplementary Information
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2007

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Passed through the Arizona Secretary of State			
Voting Access for Individuals with Disabilities – Grants to States	93.617	None	20,960
Total U.S. Department of Health and Human Services			1,751,080
Homeland Security Grant Program Cluster:			
U.S. Department of Justice:			
Passed through the Arizona Department of Emergency Services and Military Affairs			
State Domestic Preparedness Equipment Support Program	16.007	2003-TE-TX-0196, 2003-MU-T3-0034	1,900
U.S. Department of Homeland Security:			
Passed through the Arizona Department of Emergency Services and Military Affairs			
Homeland Security Grant Program	97.067	2005-GE-T5-0030	299,282
Total Homeland Security Grant Program Cluster			301,182
U.S. Department of Homeland Security:			
Passed through the Arizona Department of Emergency Services and Military Affairs			
Emergency Food and Shelter National Board Program	97.024	23-0248-00, 24-0248-00	5,246
Emergency Management Performance Grants	97.042	None	60,160
Total U.S. Department of Homeland Security			65,406
Total Expenditures of Federal Awards			\$ 6,322,620

See accompanying notes to schedule.

Gila County
 Supplementary Information
 Notes to Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2007

Note 1 - Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Gila County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 - Catalog of Federal Domestic Assistance (CFDA) Numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2007 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier, a period, and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier, a period, and the word "unknown" were used.

Note 3 - Subrecipients

From the federal expenditures presented in the schedule, the County awarded the following to subrecipients.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Paid to Subrecipient</u>
Workforce Investment Act - Adult and Youth Programs	17.258 & 17.259	\$ 991,017

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Basic Financial
Statements Performed in Accordance with *Government Auditing Standards***

The Auditor General of the State of Arizona

The Board of Supervisors of
Gila County, Arizona

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Gila County as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 31, 2009. Our report was modified for an emphasis of a matter for the retroactive reporting of general infrastructure assets as part of the implementation of Governmental Accounting Standards Board Statement No. 34. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's basic financial statements that is more than inconsequential will not be prevented or detected by

the County's internal control. We consider items **07-01** through **07-16** described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the basic financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items **07-13** through **07-16** to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Findings and Questioned Costs as items **07-17** and **07-18**.

Gila County's responses to the findings identified in our audit are presented on pages 70 through 74. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Board of Supervisors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.


March 31, 2009

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133**

The Auditor General of the State of Arizona

The Board of Supervisors of
Gila County, Arizona

Compliance

We have audited the compliance of Gila County with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, Gila County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items **07-19** through **07-24**.

Internal Control over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control. We consider items **07-19** through **07-24** described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

Gila County's responses to the findings identified in our audit are presented on pages 75 through 77. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Board of Supervisors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.



March 31, 2009

Gila County
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2007

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified

YES NO

Material weaknesses identified in internal control over financial reporting?

X

Significant deficiency identified not considered to be a material weakness?

X

Noncompliance material to the financial statements noted?

 X

Federal Awards

Material weaknesses identified in internal control over major programs?

 X

Significant deficiency identified not considered to be a material weakness?

X

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

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?

X

Identification of major programs:

Workforce Investment Act Cluster

- 17.258 WIA Adult Program
- 17.259 WIA Youth Activities
- 17.260 WIA Dislocated Workers

93.283 Centers for Disease Control Prevention Investigations and Technical Assistance

93.563 Child Support Enforcement

Homeland Security Grant Program Cluster

- 16.007 State Domestic Preparedness Equipment Support Program
- 97.067 Homeland Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

 X

Other Matters

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?

X

Gila County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Financial Statement Findings

Item: 07-1 (Repeat Finding)

Subject: Segregation of Duties -Payroll

Criteria: The payroll and personnel functions should be separate.

Condition: The County has inadequate segregation of duties among personnel and payroll duties which has resulted in the payroll manager having the ability to make changes to the payroll system without prior approval.

Cause: Personnel changes to payroll records are not reviewed.

Effect: The lack of segregation of duties could create control situations that would allow personnel to implement the creation of ghost employees or the collusion between departmental employees and the payroll manager position.

Recommendation: Human Resources should have the sole responsibility to make any changes to personnel information and have the information clearly documented.

Item: 07-2 (Repeat Finding)

Subject: Segregation of Duties - Payroll

Criteria: There should be an independent review of warrants printed and a comparison performed between the printed warrants and the payroll register. Also, a signature sheet should accompany the register indicating that an independent review was performed.

Condition: There is not an independent review or comparison of warrants printed to the payroll register.

Cause: As all warrants are printed prior to signature stamping there is no review to ensure that erroneous hours or ghost employees are adequately identified.

Effect: The lack of proper review of the payroll register could create situations in which ghost employees are paid via warrants.

Recommendation: Policies and procedures should be implemented to ensure that there is a proper review of the payroll register and warrants printed, and that the review is performed by an employee independent of the personnel and payroll functions.

Item: 07-3 (Repeat Finding)

Subject: Cash

Gila County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Criteria: Checks that have not been presented for payment within one year of issuance should be added back to check register. An attempt should be made to contact payee to determine why check was not cashed and a replacement check should be issued.

Condition: The County has checks that are included on outstanding check lists that have been outstanding since 1997.

Cause: The County does not follow the requirements of the Uniform Accounting Manual for Arizona Counties (UAMAC).

Effect: The risks of financial statement misrepresentation and the misappropriation of assets are increased.

Recommendation: The policies and procedures prescribed in the UAMAC should be followed.

Item: 07-4 (Repeat Finding)

Subject: Capital Assets

Criteria: The "Request for Disposal of Equipment" forms could not be located for items removed from the County's capital assets list.

Condition: Request for Disposal of Equipment forms should be retained to support removal from the County's capital assets list.

Cause: The County's procedures, as listed in the Uniform Accounting Manual for Arizona Counties (UAMAC), for disposal of equipment was not followed.

Effect: Capital assets are not being properly safeguarded.

Recommendation: The County should ensure that the policies and procedures as described in the UAMAC are followed.

Item: 07-5 (Repeat Finding)

Subject: Cash Disbursements - Finance

Criteria: An employee independent of the payable and general ledger functions should compare printed warrants to invoices and distribute signed warrants.

Condition: The accounts payable clerk compares printed warrants to invoices and mails signed warrants to vendors.

Cause: The communication deficiencies between the employees and management in addressing job descriptions and procedures were main contributors to the problem.

Effect: The County's assets may not be properly safeguarded.

Gila County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Recommendation: To help ensure that the assets of the County are properly safeguarded, accounting duties should be segregated. If this is not possible, due to size of available staff, the employee's supervisor or another staff member should review and approve the activity.

Item: 07-6

Subject: Cash

Criteria: Bank accounts should be reconciled monthly.

Condition: At fiscal year end the County finance department prepares a schedule of all bank accounts held by County departments. The schedule is used to prepare a journal entry to record cash in bank at fiscal year end. The schedule is compiled using bank reconciliations prepared by the Departments. Several bank accounts included on the schedule did not have reconciliations performed or the reconciliations were performed incorrectly.

Cause: The County does not follow the requirements of the Uniform Accounting Manual for Arizona Counties (UAMAC).

Effect: Incorrect balances were included in the general ledger.

Recommendation: The policies and procedures prescribed in the UAMAC should be followed.

Item: 07-7 (Repeat Finding)

Subject: Cash Disbursements – School Superintendent's Office

Criteria: Printed warrants should be compared to the expense voucher by the School Superintendent or other responsible employee who is independent of the payable function.

Condition: Printed warrants are not compared to supporting documentation prior to mailing to vendor.

Cause: Policies and procedures have not been established.

Effect: The lack of a proper review increases the risk that an unauthorized warrant could be processed.

Recommendation: The School Superintendent's office should adopt policies and procedures that require a proper review to be performed.

Item: 07-8 (Repeat Finding)

Subject: Cash Disbursements – School Superintendent's Office

Criteria: After warrants are issued, invoices should be cancelled to prevent duplicate payments.

Gila County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Condition: The School Superintendent's Office does not cancel invoices.

Cause: The School Superintendent's Office procedure is to attach a copy of the warrant to the invoice.

Effect: Invoices could be resubmitted for duplicate payment.

Recommendation: To help ensure that invoices are not resubmitted for duplicate payment all invoices should be cancelled by stamping the payment date and recording the warrant number on the invoice.

Item: 07-9 (Repeat Finding)

Subject: Procurement

Criteria: The County's procurement policy requires the following:

1. For purchases costing at least \$5,000 but less than \$15,000, at least three oral price quotations should be obtained.
2. For purchases costing at least \$15,000 but less than \$50,000, at least three written quotations should be obtained.
3. For purchases in excess of \$50,000, invitations for bids must be issued.

Condition: The County's procurement policy was not followed.

Cause: Proper review was not performed to ensure that the County's policies were followed.

Effect: The County may not receive the best price for goods or services.

Recommendation: To help ensure that the County receives the best possible prices for goods and services the County should establish procedures that enforce their procurement policies.

Item: 07-10 (Repeat Finding)

Subject: Capital Assets

Criteria: A complete physical inventory of capital assets should be taken at least once every two years for equipment costing \$5,000 or more.

Condition: A physical inventory of capital assets has not been performed in the last two years.

Cause: The County does not have procedures in place to ensure that a physical inventory is performed as required.

Effect: Capital assets might not be properly controlled and accounted for.

Gila County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Recommendation: The County should adopt policies and procedures that require physical inventories to be performed in a timely manner.

Item: 07-11 (Repeat Finding)

Subject: Capital Assets

Criteria: The County should prepare and maintain a current capital assets list.

Condition: The County has two separate capital assets lists, one is for items purchased through capital lease agreements, the second is for all other purchases that meet the County's capitalization thresholds.

Cause: The County maintains a separate list for items purchased through capital lease agreements.

Effect: The County's capital assets are not included in one comprehensive list.

Recommendation: The County should adopt policies and procedures that require all items that meet the County's capitalization threshold to be included in one comprehensive list.

Item: 07-12 (Repeat Finding)

Subject: Capital Assets

Criteria: The County's capital assets list should include the following information:

1. Location
2. Identification number
3. Description
4. Method of acquisition
5. Source of funding
6. Acquisition date
7. Purchase document number
8. Cost

Condition: The County's capital assets list does not include location, method of acquisition, source of funding and purchase document number.

Cause: The County does not follow the Uniform Accounting Manual for Arizona Counties (UAMAC).

Effect: The County's capital assets list is incomplete.

Gila County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Recommendation: The County should follow the procedures outlined in the UAMAC or adopt policies and procedures that meet the same level of internal controls for capital assets.

Item: 07-13 (Repeat Finding)

Subject: General Ledger

Criteria: Interfund payables and receivables should be reconciled between funds.

Condition: Interfund payables and receivables are not reconciled.

Cause: The County does not have policies and procedures that require that the interfund payables and receivables be reconciled.

Effect: The interfund payables and receivables do not equal. The County corrected the deficiencies prior to audit of financial statements.

Recommendation: The County should implement policies and procedures that require interfund payables and receivables to be reconciled timely to ensure that all transactions are being recognized in the accounting records.

Item: 07-14 (Repeat Finding)

Subject: General Ledger

Criteria: Subsidiary accounting ledgers maintained by County departments should be reconciled to the County's general ledger.

Condition: Subsidiary ledgers maintained by County departments are not reconciled to the County's general ledger.

Cause: The County does not have policies and procedures that require that the subsidiary accounting ledgers be reconciled to the County's general ledger.

Effect: Numerous close-out adjustments were necessary to properly record cash held by other departments, investments, accounts receivables, due from other governments, accrued liabilities, capital assets, long-term debt and the related principal and interest payments, and fund balances. It was also noted that revenues were not properly recorded on the County's general ledger for grants and contracts from other governments making it difficult to determine the proper presentation of federal grants and contracts on the Schedule of Expenditures of Federal Awards.

Recommendation: The County should implement policies and procedures that require subsidiary accounting ledgers to be reconciled to the County's general ledger.

Gila County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Item: 07-15 (Repeat Finding)

Subject: General Ledger

Criteria: The account code structure used in the County's general ledger should be logically organized in a manner that allows for the efficient preparation of budgets and financial reports.

Condition: The County's account code structure is inadequate.

Cause: The County uses old accounting software that does not meet its current needs.

Effect: Numerous unused accounts, accounts used improperly and close-out adjustments at year-end were noted.

Recommendation: The County should restructure their chart of accounts.

Item: 07-16 (Repeat Finding)

Subject: Financial and Accounting Reporting

Criteria: The County should establish adequate internal control policies and procedures to ensure all funds and accounts are included and classified properly on its financial and accounting reports.

Condition: The County does not have adequate internal control policies and procedures to ensure all funds and accounts are included and classified properly on its financial statements to comply with GASB 14.

Cause: Many departments maintain their own accounting records and an employee was not assigned to understand GASB 14 to review existing and new funds and accounts prior to recording them in the County's general ledger.

Effect: The County's general ledger, the source for the financial statements, did not include many funds administered by the County School Superintendent's Office and incorrectly included several outside organizations that were not part of the County's jurisdictions. Further, many funds were incorrectly classified on the County's financial statements. The County corrected the deficiencies prior to the audit of its financial statements.

Recommendation: To comply with GASB 14, the County should establish policies and procedures to ensure all departments' records are reported on the County's general ledger. Further, the County should assign an employee to review the departments' records, purpose of all existing and new funds and determine proper financial and accounting reporting.

Item: 07-17 (Repeat Finding)

Subject: Budgeting

Gila County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Criteria: The County's assessed primary and secondary property taxation, plus all estimated sources of revenue and unencumbered balances from the preceding fiscal year, must equal budgeted expenditures for the current fiscal year, as required by Arizona Revised Statute (A.R.S.) §42-17051(A).

Condition: The County's budgeted beginning fund balance for the General Fund, for the fiscal year ended June 30, 2007 was \$2,061,829, which was \$8,671,258 less than ending fund balance for the General Fund at June 30, 2006.

Cause: The County does not have internal controls in place to ensure that budgets are prepared properly.

Effect: Property tax levies could be calculated incorrectly due to the County not being in compliance with Arizona Revised Statutes.

Recommendation: To comply with A.R.S. §42-17051(A), the County should establish policies and procedures to ensure that Budgets are prepared as required.

Item: 07-18

Subject: Budgeting

Criteria: The County's budget must include estimates of expenditures for all County departments and the County must not spend monies that are not included in the Budget as required by Arizona Revised Statutes (A.R.S.) §42-17102(B)(1) and §42-17106(A)(1), respectively.

Condition: The County's budget does not include all of the funds maintained by the School Superintendent.

Cause: The County does not have internal controls in place to ensure that budgets are prepared properly.

Effect: There is a lack of fiscal oversight by the County.

Recommendation: To comply with A.R.S. §42-17102(B)(1) and §42-17106(A)(1), the County should establish policies and procedures to ensure that budgets are prepared as required.

Gila County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Federal Award Findings and Questioned Costs

Item: 07-19

CFDA Number: 93.563

Program: Child Support Enforcement

Agency: U.S. Department of Health and Human Services

Pass-through Entity: Arizona Department of Economic Security

Award Year: 10/1/06-9/30/07

Award Numbers: DES06725-1

Questioned Costs: Unknown

Criteria: Subsidiary grant accounting ledgers maintained by the programs should be reconciled to the County's general ledger.

Condition: Subsidiary grant accounting ledgers maintained by grant administrators are not reconciled to the County's general ledger.

Cause: The County does not have policies and procedures that require that the subsidiary accounting ledgers be reconciled to the County's general ledger.

Effect: Expenditures reported to granting agencies are not the same as the amounts in the County's general ledger.

Recommendation: The County should implement policies and procedures that require subsidiary accounting ledgers to be reconciled to the County's general ledger.

Item: 07-20

CFDA Numbers: 16.007, 97.067

Program: Homeland Security Grant Program Cluster

Agency: U.S. Department of Homeland Security and U.S. Department of Justice

Pass-through Entities: Arizona Department of Emergency Services and Military Affairs

Award Year: Various

Award Numbers: 2003-TE-TX-0196, 2003-MU-T3-0034, 2005-GE-T5-0030

Gila County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Questioned Costs: Unknown

Criteria: The County's procurement policy requires the following:

1. For purchases costing at least \$5,000 but less than \$15,000, at least three oral price quotations should be obtained.
2. For purchases costing at least \$15,000, but less than \$35,000, at least three written quotations should be obtained.
3. For purchases in excess of \$35,000, invitations for bids must be issued.

Condition: The County's procurement policy was not followed, as documentation supporting the lowest bid was not maintained.

Cause: Proper review was not performed to ensure that the County's policies were followed.

Effect: The County may not receive the best price for goods or services.

Recommendation: To help ensure that the County received the best possible prices for goods and services the County should establish procedures that enforce their procurement policies.

Item: 07-21

CFDA Number: 93.563

Program: Child Support Enforcement

Agency: U.S. Department of Health and Human Services

Pass-through Entity: Arizona Department of Economic Security

Award Year: 10/1/06-9/30/07

Award Numbers: DES06725-1

Questioned Costs: None

Criteria: The Code of Federal Regulations 45 CFR '92.20 requires grantees to maintain records that adequately identify the source and application of funds provided for financially assisted activities.

Condition: Transactions of this program are not recorded within a single fund designated specifically for this program.

Cause: Inadequate account code structure.

Gila County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Effect: An increased risk that transactions and account balances not related to the program are commingled with those of the program.

Recommendation: The County should restructure its chart of accounts and as part of this restructuring, the County should identify programs that are externally funded and record transactions of those programs in their own separate fund.

Item: 07-22

CFDA Numbers: 93.283

Program: Centers for Disease Control and Prevention – Investigations and Technical Assistance

Agency: U. S. Department of Health and Human Services

Pass-through Entities: Arizona Department of Health Services

Award Years: 8/31/06-8/30/07

Award Numbers: 252042, HG754195

Questioned Costs: None

Criteria: Per the Intergovernmental Agreement Section 5.c, the contractor shall prepare and submit a contractor's expenditure report by the thirtieth day of each month.

Condition: The expenditure reports for 8 out of 12 months were not submitted timely.

Cause: The client does not have the procedures in place to ensure timely completion of reports.

Effect: As the timely submission of the reports is a condition of the contract, the late reports could be seen as non-compliance and grant funds could be withheld.

Recommendation: The County should implement policies and procedures to ensure that all reports are submitted in a timely manner.

Item: 07-23

CFDA Numbers: 16.007, 97.067, 17.258, 17.259, 17.260, 93.283, 93.563

Program: Homeland Security Grant Program Cluster, Workforce Investment Act Cluster, Centers for Disease Control Prevention – Investigations and Technical Assistance, Child Support Enforcement

Gila County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Agencies: U.S. Department of Justice, U.S. Department of Homeland Security, U.S. Department of Labor, U.S. Department of Health and Human Services

Pass-through Entities: Arizona Department of Emergency Services and Military Affairs, Arizona Department of Economic Security, Arizona Department of Health Services

Award Year: Various

Award Numbers: E5704004, DE07113, E5705004, E5706006, 252042, HG754195, 2003-TE-TX-0196, 2003-MU-T3-0034, 2005-GE-T5-0030

Questioned Costs: N/A

Criteria: OMB Circular A-133, section 320 requires that an audit be completed and the data collection form and single audit reporting package be submitted to the Federal clearinghouse no later than nine months after the end of the audit period.

Condition: The County's audit was not completed within the required time period.

Cause: The County does not have internal controls in place to ensure that audits are completed on a timely basis.

Effect: The County could lose federal funding.

Recommendation: The County should follow their policies and procedures to ensure audits are completed timely.

Item: 07-24

CFDA Numbers: 16.007, 97.067, 17.258, 17.259, 17.260, 93.283

Program: Homeland Security Grant Program Cluster, Workforce Investment Act Cluster, Centers for Disease Control Prevention – Investigations and Technical Assistance

Agencies: U.S. Department of Justice, U.S. Department of Homeland Security, U.S. Department of Labor, U.S. Department of Health and Human Services

Pass-through Entities: Arizona Department of Emergency Services and Military Affairs, Arizona Department of Economic Security, Arizona Department of Health Services

Award Year: Various

Award Numbers: E5704004, DE07113, E5705004, E5706006, 252042, HG754195, 2003-TE-TX-0196, 2003-MU-T3-0034, 2005-GE-T5-0030

Gila County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Questioned Costs: N/A

Criteria: The Code of Federal Regulations 45 CFR 74.34(f)(3) and 24 CFR 84.83(c)(4) prescribe that a physical inventory of equipment be taken at least once every two years and that the results of the inventory be reconciled to equipment records.

Condition: A physical inventory of capital assets has not been performed in the last two years.

Cause: The County does not have procedures in place to ensure that a physical inventory is performed as required.

Effect: Capital assets might not be properly controlled and accounted for.

Recommendation: The County should adopt policies and procedures that require physical inventories to be performed in a timely manner.

County Responses

Gila County
Corrective Action Plan
Year Ended June 30, 2007

Financial Statement Findings

Item: 07-1 (Repeat Finding)

Subject: Segregation of Duties -Payroll

Contact Person: Richard Gaona, Finance Director

Anticipated Completion Date: July 1, 2007

Corrective Action: The County assigned the responsibility for changes to the personnel department with the finance department approving the changes.

Item: 07-2 (Repeat Finding)

Subject: Segregation of Duties - Payroll

Contact Person: Richard Gaona, Finance Director

Anticipated Completion Date: July 1, 2007

Corrective Action: The County has changed payroll processing procedures to include a review of the payroll register and payroll warrants by the finance director or assistant finance director prior to mailing the warrants.

Item: 07-3 (Repeat Finding)

Subject: Cash

Contact Person: Richard Gaona, Finance Director

Anticipated Completion Date: December 1, 2007

Corrective Action: The County's policies and procedures were changed to correct this deficiency.

Item: 07-4 (Repeat Finding)

Subject: Capital Assets

Contact Person: Richard Gaona, Finance Director

Anticipated Completion Date: August 1, 2008

Corrective Action: The County's policies and procedures are now enforced.

Gila County
Corrective Action Plan
Year Ended June 30, 2007

Item: 07-5 (Repeat Finding)

Subject: Cash Disbursements - Finance

Contact Person: Richard Gaona, Finance Director

Anticipated Completion Date: July 1, 2007

Corrective Action: The finance director or assistant finance director will compare signed warrants to the invoices and mail them.

Item: 07-6

Subject: Cash

Contact Person: Richard Gaona, Finance Director

Anticipated Completion Date: June 30, 2009

Corrective Action: Bank reconciliations will be prepared by County Department personnel and submitted to the Finance Department for review. A journal entry will be prepared at fiscal year-end to update the bank balances on the general ledger.

Item: 07-7 (Repeat Finding)

Subject: Cash Disbursements – School Superintendent’s Office

Contact Person: Debra Moya, Deputy Superintendent

Anticipated Completion Date: October 1, 2008

Corrective Action: An employee, not involved in the processing of vouchers, will compare printed warrants to supporting documentation prior to mailing.

Item: 07-8 (Repeat Finding)

Subject: Cash Disbursements – School Superintendent’s Office

Contact Person: Debra Moya, Deputy Superintendent

Anticipated Completion Date: October 1, 2008

Corrective Action: School Superintendent’s Office personnel will begin to stamp the invoices paid and record the date paid after warrants are written.

Gila County
Corrective Action Plan
Year Ended June 30, 2007

Item: 07-9 (Repeat Finding)

Subject: Procurement

Contact Person: Richard Gaona, Finance Director

Anticipated Completion Date: July 1, 2008

Corrective Action: The County's policies and procedures are now enforced.

Item: 07-10 (Repeat Finding)

Subject: Capital Assets

Contact Person: Richard Gaona, Finance Director

Anticipated Completion Date: July 1, 2009

Corrective Action: Inventories will be performed as required.

Item: 07-11 (Repeat Finding)

Subject: Capital Assets

Contact Person: Richard Gaona, Finance Director

Anticipated Completion Date: July 1, 2008

Corrective Action: The capital assets lists will be combined.

Item: 07-12 (Repeat Finding)

Subject: Capital Assets

Contact Person: Richard Gaona, Finance Director

Anticipated Completion Date: July 1, 2008

Corrective Action: The County's capital assets list will include all required information.

Item: 07-13 (Repeat Finding)

Subject: General Ledger

Contact Person: Richard Gaona, Finance Director

Gila County
Corrective Action Plan
Year Ended June 30, 2007

Anticipated Completion Date: June 30, 2008

Corrective Action: Interfund payables and receivables are now being reconciled on a timely basis.

Item: 07-14 (Repeat Finding)

Subject: General Ledger

Contact Person: Richard Gaona, Finance Director

Anticipated Completion Date: July 1, 2007

Corrective Action: The Finance Department is now working with County Departments to improve grant accounting and insure that subsidiary ledgers reconcile to the County's general ledger.

Item: 07-15 (Repeat Finding)

Subject: General Ledger

Contact Person: Richard Gaona, Finance Director

Anticipated Completion Date: July 1, 2007

Corrective Action: The County has installed a new accounting system and a new chart of accounts.

Item: 07-16 (Repeat Finding)

Subject: Financial and Accounting Reporting

Contact Person: Richard Gaona, Finance Director

Anticipated Completion Date: July 1, 2007

Corrective Action: The County has implemented policies and procedures that require that a review is performed on all funds added or deleted from the County's general ledger to assure that all funds are properly recorded in the County financials.

Item: 07-17 (Repeat Finding)

Subject: Budgeting

Contact Person: Richard Gaona, Finance Director

Anticipated Completion Date: July 1, 2007

Corrective Action: The County will establish procedures to ensure that accurate fund balances are used during budget preparation.

Gila County
Corrective Action Plan
Year Ended June 30, 2007

Item: 07-18

Subject: Budgeting

Contact Person: Richard Gaona, Finance Director

Anticipated Completion Date: July 1, 2007

Corrective Action: The County school office maintains these funds outside of the County's accounting system and in fact issues school office warrants without review and approval of the County Board of Supervisors. Unless the accounting and budget control is part of the County system it does not seem reasonable to include these activities in the County budget.

Gila County
Corrective Action Plan
Year Ended June 30, 2007

Federal Award Findings and Questioned Costs

Item: 07-19

CFDA Number: 93.563

Program: Child Support Enforcement

Subject: Subsidiary grant accounting ledgers maintained by programs are not reconciled to the County's general ledger.

Contact Person: Richard Gaona, Finance Director

Anticipated Completion Date: July 1, 2007

Corrective Action: Grant administrators have been notified of the requirement to reconcile subsidiary grant accounting ledgers to the County's general ledger. In addition, a new accounting software system was installed July 1, 2007 that will enable the grant administrators to use the County system for grant accounting and eliminate the need for separate subsidiary grant accounting systems.

Item: 07-20

CFDA Number: 16.007, 97.067

Program: Homeland Security Grant Program Cluster

Subject: The County's procurement policy requires the following:

1. For purchases costing at least \$5,000 but less than \$15,000, at least three oral price quotations should be obtained.
2. For purchases costing at least \$15,000, but less than \$50,000, at least three written quotations should be obtained.
3. For purchases in excess of \$50,000, invitations for bids must be issued.

Contact Person: Richard Gaona, Finance Director

Anticipated Completion Date: July 1, 2008

Corrective Action: Policies and procedures are now enforced.

Item: 07-21

CFDA Number: 93.563

Gila County
Corrective Action Plan
Year Ended June 30, 2007

Program: Child Support Enforcement

Subject: Transactions of this program are not recorded within a single fund designated specifically for this program.

Contact Person: Richard Gaona, Finance Director

Anticipated Completion Date: July 1, 2008

Corrective Action: The County will record grants in a separate fund.

Item: 07-22

CFDA Number: 93.283

Program: Centers for Disease Control and Prevention – Investigations and Technical Assistance

Subject: Expenditure reports for 8 out of 12 months were not submitted timely.

Contact Person: Breeina York, Community Service Manager

Anticipated Completion Date: July 1, 2007

Corrective Action: Access to the Siren Website, implementing of procedures, and additional staff have been hired to complete the necessary duties to ensure that monthly billings are completed and submitted in a timely manner.

Item: 07-23

CFDA Number: 16.007, 97.067, 17.258, 17.259, 17.260, 93.283, 93.563

Program: Homeland Security Grant Program Cluster, Workforce Investment Act Cluster, Centers for Disease Control Prevention – Investigations and Technical Assistance and Child Support Enforcement

Subject: The County's audit was not completed within nine months of June 30, 2007.

Contact Person: Richard Gaona, Finance Director

Anticipated Completion Date: December 31, 2009

Corrective Action: Additional resources have been assigned to audits. Continued emphasis on audit completion will ensure that fiscal year 2008 audit will be completed by December 31, 2009.

Gila County
Corrective Action Plan
Year Ended June 30, 2007

Item: 07-24

CFDA Number: 16.007, 97.067, 17.258, 17.259, 17.260, 93.283

Program: Homeland Security Grant Program Cluster, Workforce Investment Act Cluster, Centers for Disease Control Prevention – Investigations and Technical Assistance

Subject: The Code of Federal Regulations 45 CFR 74.34(f)(3) and CFR 84.83(c)(4) prescribe that a physical inventory of equipment be taken at least once every two years and that the results of the inventory be reconciled to equipment records.

Contact Person: Richard Gaona, Finance Director

Anticipated Completion Date: July 1, 2009

Corrective Action: Inventories will be performed as required.

Gila County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2007

Status of Prior Year Federal Award Findings and Questioned Costs

Item: 03-102, 04-18, 05-18

CFDA Number: 16.579, 93.283

Program: Byrne Formula Grant Program, Centers for Disease Control and Prevention – Investigations and Technical Assistance

Status: Not corrected

Corrective Action: Access to the Siren Website, implementing of procedures, and additional staff have been hired to complete the necessary duties to ensure that monthly billings are completed and submitted in a timely manner.

Item: 03-104, 04-19, 05-19, 06-18

CFDA Number: 16.579, 93-283, 93.563

Program: Byrne Formula Grant Program, Centers for Disease Control and Prevention – Investigations and Technical Assistance, Child Support Enforcement

Status: Corrected for Centers for Disease Control and Prevention – Investigations and Technical Assistance, not corrected for Byrne Formula Grant Program and Child Support Enforcement

Corrective Action: Grant administrators have been notified of the requirement to reconcile subsidiary grant accounting ledgers to the County's general ledger. In addition, a new accounting software system was installed July 1, 2007 that will enable the grant administrators to use the County system for grant accounting and eliminate the need for separate subsidiary grant accounting systems.

Item: 06-19

CFDA Number: 17.258, 17.259, 17.260

Program: Workforce Investment Act Cluster

Status: Corrected

Item: 03-101, 04-21, 05-21, 06-20

CFDA Number: 93.563

Program: Child Support Enforcement

Gila County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2007

Status: Not corrected

Corrective Action: The County will record grants in a separate fund.

Item: 04-22, 05-22, 06-21

CFDA Number: 17.255, 17.258, 17.259, 17.260

Program: Workforce Investment Act Cluster

Status: Corrected

Item: 04-24, 05-24, 06-22

CFDA Number: 10.665, 15.226, 16.579, 17.255, 17.258, 17.259, 17.260, 39.011, 93.283, 93.563, 16,007, 97.004, 97.042

Program: Schools and Roads – Grants to States, Payments in Lieu of Taxes, Byrne Formula Grant Program, Workforce Investment Act Cluster, Election Reform Payments, Centers for Disease Control and Prevention – Investigations and Technical Assistance, Child Support Enforcement and Homeland Security Grant Program Cluster

Status: Not corrected

Corrective Action: Additional resources have been assigned to audits. Continued emphasis on audit completion will ensure that the fiscal year 2008 audit will be completed by December 31, 2009.