

**Gila County**  
**Annual Financial Report**  
**Year Ended June 30, 2011**

**Gila County**  
**Annual Financial Report**  
**Year Ended June 30, 2011**

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## Independent Auditors' Report

The Auditor General of the State of Arizona

The Board of Supervisors of  
Gila County, Arizona

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Gila County (the County), as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Gila County, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the County implemented the provisions of the Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended June 30, 2011, which represents a change in accounting principle. In addition, as described in Note 10, the County reclassified the Landfill Fund, previously reported in the General Fund, as a proprietary enterprise fund, which represents an additional change in accounting principle.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 11, the Schedule of Agent Retirement Plans' Funding Progress on pages 51 and 52, and budgetary comparison information on pages 53 through 57, 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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Mesa, Arizona  
March 14, 2012

**Gila County**  
**Management's Discussion and Analysis**  
**June 30, 2011**

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, 2011. We encourage readers to consider the information presented here in conjunction with the financial statements.

**Financial Highlights**

- The assets of the County exceeded its liabilities at the close of the current fiscal year by \$70,839,971 (net assets). Of this amount, \$22,225,011 (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 \$40,286,990, a decrease of \$819,014 in comparison with the prior year's balance of \$41,106,004 (as restated).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$22,375,083 or 47% of total general fund expenditures.
- The County's total long-term liabilities decreased by a net of \$131,966 during the current fiscal year in comparison with the prior year's balance of \$11,924,376. The decrease was a result of regular scheduled principal and interest payments.
- The prior year financial statements were restated as a result of the implementation of GASB Statement Number 54. The restatement included moving Special Revenue Funds that did not have restricted, committed or assigned fund balances to the General Fund and moving the landfill from a governmental fund to an enterprise fund. See Note 10 in the notes to the financial statements for further disclosure related to the restatement.

**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.

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

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

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

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

**Fund financial statements** are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental funds statements focus on near-term inflows and outflows of spendable resources as well as the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financial position.

Because the focus of governmental 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 three funds that are considered to be major funds, General, Public Works, and Housing Funds. Data from the other governmental funds is combined into a single, aggregated presentation.

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

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

**Fiduciary Funds** are used to account for resources held by the County for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own operations. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements can be found on pages 22 and 23 of this report.

**Notes to the financial statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 49 of this report.

**Required supplementary information** presents budgetary comparison schedules for the general and major special revenue funds. This section also includes certain information concerning the County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 51 through 57 of this report.

**Government-wide Financial Analysis**

**Statement of Net Assets**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the fiscal year, the County's assets exceeded liabilities by \$70,839,971.

**Condensed Statement of Net Assets**  
(in thousands)  
**June 30, 2011 and 2010**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010 (Restated)	2011	2010 (Restated)	2011	2010 (Restated)
Current and Other Assets	\$ 45,622	\$ 46,327	\$ 5,886	\$ 5,301	\$ 51,508	\$ 51,628
Capital Assets	31,166	25,830	3,975	4,029	35,141	29,859
Total Assets	<u>76,788</u>	<u>72,157</u>	<u>9,861</u>	<u>9,330</u>	<u>86,649</u>	<u>81,487</u>
Current Liabilities	3,954	3,995	63	55	4,017	4,050
Long-term Liabilities	9,003	9,296	2,789	2,628	11,792	11,924
Total Liabilities	<u>12,957</u>	<u>13,291</u>	<u>2,852</u>	<u>2,683</u>	<u>15,809</u>	<u>15,974</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	24,776	23,058	3,918	4,029	28,694	27,087
Restricted	18,155	4,688	1,766	1,470	19,921	6,158
Unrestricted	20,900	31,120	1,325	1,148	22,225	32,268
Total Net Assets	<u>\$ 63,831</u>	<u>\$ 58,866</u>	<u>\$ 7,009</u>	<u>\$ 6,647</u>	<u>\$ 70,840</u>	<u>\$ 65,513</u>

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The second largest portion of Gila County's net assets is unrestricted. Unrestricted net assets of \$22,225,011 or 31% may be used to meet Gila County's ongoing obligations to citizens and creditors. The largest portion is \$28,694,268 or 41% 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 and 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 all three categories of net assets for the government as a whole.

Assets of the County increased by \$5.3 million. The most significant increase was the result of the acquisition of capital assets in the amount of \$7.6 million, net of \$2.3 million in depreciation and loss on disposal of capital assets. Capital asset additions consisted largely of the use of prior year bond proceeds to fund various County building and street projects. The increase in capital assets is discussed later in this discussion and analysis.

The County had a net change in net assets of \$5.0 million in the governmental activities. The decrease in the unrestricted net assets is largely due to the current year changes in revenues and expenses. A significant portion of the decrease was a reclassification of net assets from unrestricted to restricted based on restrictions placed on the net assets by parties outside the organization. The remaining changes in restricted and unrestricted net assets is discussed in the following section.

The 2010 statement of net assets and changes in net assets was restated to move the Landfill from a governmental fund to an enterprise fund, as described in Note 10 to the financial statements.

***Statement of Activities***

Already noted was the statement of activities purpose in presenting how the government's net assets changed during the current fiscal year. For the fiscal year, net assets increased by \$5,326,489. 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. The following table presents the change in net assets.

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**Changes in Net Assets**  
**(in thousands)**  
**Years Ended June 30, 2011 and 2010**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010 (Restated)	2011	2010 (Restated)	2011	2010 (Restated)
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 4,800	\$ 5,430	\$ 1,572	\$ 1,580	\$ 6,372	\$ 7,010
Grants and Contributions	22,535	21,998	-	-	22,535	21,998
<b>General Revenues:</b>						
Property Taxes	25,343	23,779	-	-	25,343	23,779
County Sales Tax	5,457	5,489	-	-	5,457	5,489
Share of State Sales Tax	4,378	4,196	-	-	4,378	4,196
Vehicle License Tax	1,559	1,579	-	-	1,559	1,579
Payments in Lieu of Taxes	3,226	3,267	-	-	3,226	3,267
Miscellaneous	1,708	1,031	71	48	1,779	1,079
<b>Total Revenues</b>	<b>69,006</b>	<b>66,769</b>	<b>1,643</b>	<b>1,628</b>	<b>70,649</b>	<b>68,397</b>
<b>Expenses</b>						
General Government	20,331	21,068	-	-	20,331	21,068
Public Safety	16,902	16,339	-	-	16,902	16,339
Highways and Streets	8,059	6,564	-	-	8,059	6,564
Health	2,556	2,609	-	-	2,556	2,609
Welfare	9,718	10,156	-	-	9,718	10,156
Sanitation	98	21	1,184	1,027	1,282	1,048
Culture and Recreation	1,443	1,343	-	-	1,443	1,343
Education	4,689	2,782	-	-	4,689	2,782
Interest on Long-term Debt	342	298	-	-	342	298
<b>Total Expenses</b>	<b>64,138</b>	<b>61,180</b>	<b>1,184</b>	<b>1,027</b>	<b>65,322</b>	<b>62,207</b>
<b>Change in Net Assets Before Transfers</b>	<b>4,868</b>	<b>5,589</b>	<b>459</b>	<b>601</b>	<b>5,326</b>	<b>6,190</b>
Transfers	97	-	(97)	-	-	-
<b>Change in Net Assets</b>	<b>4,965</b>	<b>5,589</b>	<b>362</b>	<b>601</b>	<b>5,326</b>	<b>6,190</b>
Net Assets, Beginning of the Year (As Restated)	58,866	53,277	6,647	6,046	65,513	59,323
<b>Net assets, End of the Year</b>	<b>\$ 63,831</b>	<b>\$ 58,866</b>	<b>\$ 7,009</b>	<b>\$ 6,647</b>	<b>\$ 70,840</b>	<b>\$ 65,513</b>

**Revenues**

Governmental activities revenues totaled \$69,006,352 for fiscal year 2011 which was an increase of over 3% from the prior year. Grants and contributions and property taxes accounted for the most significant increases in revenue. The increase in grants and contributions was largely due to the recording of \$1.9 million in grants from the U.S. Department of Agriculture that were paid to subrecipients, which was offset by decreases in various other federal funding, including a reduction in the workforce improvement grant (\$475,000) and decreases in various state funding, including grants for the sheriff's office (\$305,000) and state funded health care grants (\$333,000). The increase in property taxes was due to increased property tax rates and an increase in the current year levy.

Charges for services, county sales tax, state sales tax, state vehicle license tax, payments in lieu of taxes, and miscellaneous revenues remained relatively stable as compared to the prior year.

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

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***Expenses***

Governmental activities expenses totaled \$64,139,319 for fiscal year 2011, which represents an increase of 4% over the prior year's total expenses. Increases were the result of increased salaries and related costs, as well as increased costs to run the departments. In addition, as a result of increased funding through grants, expenses increased in an amount equal to the revenues for reimbursable type grants.

The most significant changes in expenses were recorded in highways and streets, welfare, and education. Highways and streets increased \$1.5 million largely due to a \$1.4 million highway planning grant and approximately \$100,000 from the department of agriculture grant for road improvements. These grants were combined and the roadway projects were completed and administered by the Arizona Department of Transportation. The roadway was on federal land and therefore was not capitalized by the County. Roadway projects included the Young Road Project, the Ice House Bridge and the Tonto Creek Bridge.

The decrease in the welfare expenses was due to a reduction in the workforce improvement grant of \$475,000 and services provided.

The increase in the education expense was due to \$1.9 million of forest fee revenues received by the County and recorded as an expense for distribution to school districts who are subrecipients of the grant.

Business-type activities' expenses slightly increased due to salary increases and salary related costs, as well as an increase in depreciation expense.

**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 \$40,286,990, a decrease of \$819,014 in comparison with the prior year's balance of \$41,106,004 (as restated).

The general fund is the chief operating fund of the County. At the end of the current fiscal year, fund balance of the general fund was \$24,610,525, a decrease of 6% over the prior year's balance of \$26,208,491 (as restated). The decrease was largely due to the use of prior year bond proceeds recorded in the General Fund for various County facilities. The County reported more than \$5.8 million in capital expenditures related to these projects and other capital purchases. The \$5.8 million in capital expenditures were offset by increased property tax revenues and other intergovernmental revenues. Expenditures of the General Fund increased over the prior year in most departments due to increased salary and related costs and increased costs in operations of the departments. A portion of the increase in expenditures was offset by grants recorded in the General Fund, causing a zero net effect on fund balance.

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The public works fund reported an increase in fund balance of approximately \$0.8 million. Overall, actual public works fund expenditures were under budget by \$6,857,689. This increase was relatively equal to the prior year increase in public works, before transfers. The public works revenues and expenditures did not significantly change from the prior year. The carryover will be used for future street and roadway capital and maintenance projects.

The Housing Fund reported an increase in fund balance of \$48,779. Generally, expenditures of the Housing Fund are funded 100 percent by grants and donations. The increase was due to unspent grant funds that will be carried forward to cover future costs.

Other Governmental Funds reported a decrease in fund balance of \$105,193. The decrease was largely due to the use of carryover grant funds that do not operate on a reimbursable basis.

***Proprietary Fund***

The Landfill didn't have a significant change in fund net assets for the fiscal year 2011.

***General Fund Budgetary Highlights***

The general fund had budgeted expenditures before other financing sources and uses of \$57,897,594. Overall, actual general fund expenditures were under budget by \$10,778,768. The County had budgeted \$9,600,000 for reserves and contingencies, none of which was spent during the current fiscal year, accounting for more than 89 percent of expenditures under budget. The Education department had budgeted expenditures of \$402,148 while actual expenditures were over budget by \$1,589,874 due to a change in recording federal grants passed through to subrecipients. Grants passed through to subrecipients were recognized as revenues and corresponding expenditure. The most significant grant affecting this line item was for the Secure Payments for State and Counties Containing Federal Lands Grant. This also accounted for much of the favorable variance in intergovernmental revenues, along with a favorable variance for auto lieu (\$50,000), state shared sales tax (\$177,000) and payments in lieu of taxes (federal grant-\$25,000). Property taxes exceeded budget by \$1,070,000 due collections of delinquent property taxes. The County had budgeted for property taxes according to the current year levy.

The significant County departments and other budgeted line items over budget are the Education-\$1,589,874, County Attorney \$292,570 and Probation-\$222,588. 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, 2011, amounts to \$31,165,650 (net of accumulated depreciation), a net increase of 20.7% from the prior year. Capital assets for the business-type activities as of June 30, 2011 amount to \$3,975,371. This investment in capital assets includes land, construction in progress, buildings, machinery and equipment and infrastructure assets (roads, highways, bridges, etc).

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Major capital asset activity during the fiscal year included:

Governmental Activities:

- \$3.4 million in additions to construction in progress for the public works complex and administrative building improvements.
- \$837,754 in additions to construction in progress for the Tonto Creek Bridge.
- \$615,514 in additions to construction in progress for the woman's jail dormitory.
- \$515,081 in additions to construction in progress for the cafeteria remodel.
- Completion of the disabled access improvements, including \$227,694 in current year costs.
- \$500,285 in the acquisition of twenty-two vehicles.

Business-type Activities:

- \$75,525 lease-purchase of a caterpillar wheel loader.

The following table provides a breakdown of the County's capital assets as of June 30, 2011 and 2010.

**Capital Assets at Year-End**  
**(Net of Accumulated Depreciation)**  
**(in thousands)**  
**June 30, 2011 and 2010**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010 (Restated)	2011	2010 (Restated)	2011	2010 (Restated)
Land	\$ 1,178	\$ 1,100	\$ 3,000	\$ 3,000	\$ 4,178	\$ 4,100
Construction in Progress	8,682	3,635	-	-	8,682	3,635
Buildings	7,300	7,396	-	-	7,300	7,396
Improvements Other than Buildings	760	719	-	-	760	719
Machinery and Equipment	5,806	5,392	920	973	6,726	6,365
Infrastructure	7,440	7,588	55	56	7,495	7,644
Total Capital Assets, Net	<u>\$ 31,166</u>	<u>\$ 25,830</u>	<u>\$ 3,975</u>	<u>\$ 4,029</u>	<u>\$ 35,141</u>	<u>\$ 29,859</u>

Additional information on the County's capital assets can be found in Note 5 on pages 33 through 34 of this report.

**Long-term Debt**

At the end of the current fiscal year, the County had total bonded debt outstanding of \$7,510,000 (excluding the premium on the bonds). This outstanding balance consists of series 2009 pledged revenue refunding obligations of \$1,070,000 (bond premium of \$31,324) to refund the outstanding 1999 series certificates of participation and series 2009 pledged revenue obligations of \$6,440,000 (bond premium of \$177,047) to finance construction costs for several County buildings. The County had long-term capital leases of \$27,059 for machinery and computer equipment which were paid off during the current fiscal year.

Business-type long term liabilities consist of the landfill closure and post-closure care costs of \$2,706,670 and an equipment lease in the amount of \$57,380.

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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 \$36,567,597. Since the County has no general obligation debt, this amount equals the debt capacity. Additional information on long-term debt can be found in Note 7 on pages 35 through 38 of this report.

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

The unemployment rate for Gila County was 10.9 percent at June 30, 2011 and has dropped to 10.0% in December 2011, which is a decrease from a rate of 11.1 percent a year ago. This compares unfavorably to the state's average unemployment rate of 9.5 to 9.6 percent. These economic factors were considered in preparing the County's budget for the fiscal year 2010-11. The unassigned ending fund balance in the general fund of \$22,375,083 was appropriated for spending in the fiscal year 2011-12 budget.

***Requests for Information***

This financial report is designed to provide a greater overview of Gila County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed as follows:

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

## **Basic Financial Statements**

**Gila County**  
**Statement of Net Assets**  
**June 30, 2011**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	
<b>Assets</b>			
Cash and Cash Equivalents	\$ 15,184,057	\$ 1,273,851	\$ 16,457,908
Investments	22,281,677	-	22,281,677
Cash and Investments Held by Trustee	1,328,918	-	1,328,918
Receivables (net of allowances for uncollectibles):			
Property Taxes	1,254,094	-	1,254,094
Accounts	875,598	139,524	1,015,122
Due from Other Governments	4,413,846	-	4,413,846
Restricted Cash	-	4,472,893	4,472,893
Deferred Charges	283,493	-	283,493
Capital Assets			
Nondepreciable	9,860,144	3,000,000	12,860,144
Depreciable	21,305,506	975,371	22,280,877
Total Assets	<u>76,787,333</u>	<u>9,861,639</u>	<u>86,648,972</u>
<b>Liabilities</b>			
Accounts Payable	2,196,610	42,738	2,239,348
Accrued Payroll and Employee Benefits	1,195,683	19,868	1,215,551
Accrued Interest	163,925	-	163,925
Unearned Revenue	107,767	-	107,767
Matured Debt Principal Payable	290,000	-	290,000
Noncurrent Liabilities			
Due within one year	1,589,426	50,589	1,640,015
Due in more than one year	7,413,291	2,739,104	10,152,395
Total Liabilities	<u>12,956,702</u>	<u>2,852,299</u>	<u>15,809,001</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	24,776,277	3,917,991	28,694,268
Restricted for:			
Public Safety	1,570,053	-	1,570,053
Highways and Streets	8,764,587	-	8,764,587
Health	581,547	-	581,547
Welfare	761,632	-	761,632
Sanitation	77,660	-	77,660
Education	1,235,046	-	1,235,046
Housing	144,646	-	144,646
Library	648,357	-	648,357
Judicial Services	2,911,497	-	2,911,497
Capital Projects	205,739	-	205,739
Debt Service	1,146,243	-	1,146,243
Other	107,462	-	107,462
Landfill Closure and Postclosure Care Costs	-	1,766,223	1,766,223
Unrestricted	20,899,885	1,325,126	22,225,011
Total Net Assets	<u>\$ 63,830,631</u>	<u>\$ 7,009,340</u>	<u>\$ 70,839,971</u>

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

**Gila County**  
**Statement of Activities**  
**Year Ended June 30, 2011**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Functions</b>							
<b>Governmental Activities:</b>							
General Government	\$ 20,331,200	\$ 2,063,895	\$ 2,041,810	\$ -	\$ (16,225,495)		\$ (16,225,495)
Public Safety	16,901,522	1,883,376	3,362,305	-	(11,655,841)		(11,655,841)
Highways and Streets	8,058,965	166,379	4,542,699	1,971,543	(1,378,344)		(1,378,344)
Health	2,556,054	232,557	1,157,040	-	(1,166,457)		(1,166,457)
Welfare	9,718,314	92,336	5,668,536	-	(3,957,442)		(3,957,442)
Sanitation	98,738	-	110,165	-	11,427		11,427
Culture and Recreation	1,442,667	16,399	118,762	-	(1,307,506)		(1,307,506)
Education	4,689,773	345,505	3,561,803	-	(782,465)		(782,465)
Interest and Fiscal Charges	342,086	-	-	-	(342,086)		(342,086)
Total Governmental Activities	<u>64,139,319</u>	<u>4,800,447</u>	<u>20,563,120</u>	<u>1,971,543</u>	<u>(36,804,209)</u>		<u>(36,804,209)</u>
<b>Business-Type Activities</b>							
Landfill	1,183,583	1,571,601	-	-		\$ 388,018	388,018
Total Primary Government	<u>\$ 65,322,902</u>	<u>\$ 6,372,048</u>	<u>\$ 20,563,120</u>	<u>\$ 1,971,543</u>	<u>(36,804,209)</u>	<u>388,018</u>	<u>(36,416,191)</u>
<b>General revenues:</b>							
Taxes:							
Property Taxes, Levied for General Purposes					24,090,368	-	24,090,368
Property Taxes, Levied for Street Lighting Districts					59,820	-	59,820
Property Taxes, Levied for Library District					1,193,020	-	1,193,020
County General and Transportation Sales Tax					5,457,165	-	5,457,165
Share of State Sales Tax					4,377,798	-	4,377,798
Shared Revenue-State Vehicle License Tax					1,559,005	-	1,559,005
Payments in Lieu of Taxes					3,226,200	-	3,226,200
Grants and Contributions not Restricted to Specific Programs					50,000	-	50,000
Investment Income					114,135	71,438	185,573
Miscellaneous					1,543,731	-	1,543,731
Transfers					97,450	(97,450)	-
Total General Revenues and Transfers					<u>41,768,692</u>	<u>(26,012)</u>	<u>41,742,680</u>
Change in Net Assets					4,964,483	362,006	5,326,489
Net Assets, July 1, 2010, As Restated					58,866,148	6,647,334	65,513,482
Net Assets, June 30, 2011					<u>\$ 63,830,631</u>	<u>\$ 7,009,340</u>	<u>\$ 70,839,971</u>

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

**Gila County  
Balance Sheet  
Governmental Funds  
June 30, 2011**

	<u>General Fund</u>	<u>Public Works Fund</u>	<u>Housing Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and Investments	\$ 23,017,406	\$ 8,259,638	\$ 167,089	\$ 6,021,601	\$ 37,465,734
Cash and Investments Held by Trustee	1,328,918	-	-	-	1,328,918
Receivables (net of allowances for uncollectibles):					
Property taxes	1,185,731	-	-	68,363	1,254,094
Accounts	727,589	-	89,990	58,019	875,598
Due from:					
Other Funds	1,271,060	-	-	-	1,271,060
Other Governments	1,041,638	708,919	504,768	2,158,521	4,413,846
Total Assets	<u>\$ 28,572,342</u>	<u>\$ 8,968,557</u>	<u>\$ 761,847</u>	<u>\$ 8,306,504</u>	<u>\$ 46,609,250</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 1,596,345	\$ 168,111	\$ 78,227	\$ 353,927	\$ 2,196,610
Accrued Payroll and Employee Benefits	874,399	131,474	8,974	180,836	1,195,683
Accrued Interest	163,925	-	-	-	163,925
Due to Other Funds	-	2,664	530,000	738,396	1,271,060
Deferred Revenues	1,037,148	-	-	167,834	1,204,982
Matured Debt Principal Payable	290,000	-	-	-	290,000
Total liabilities	<u>3,961,817</u>	<u>302,249</u>	<u>617,201</u>	<u>1,440,993</u>	<u>6,322,260</u>
<b>Fund balances:</b>					
Restricted	2,235,442	8,666,308	144,646	7,108,073	18,154,469
Unassigned	22,375,083	-	-	(242,562)	22,132,521
Total Fund Balances	<u>24,610,525</u>	<u>8,666,308</u>	<u>144,646</u>	<u>6,865,511</u>	<u>40,286,990</u>
Total Liabilities and Fund Balances	<u>\$ 28,572,342</u>	<u>\$ 8,968,557</u>	<u>\$ 761,847</u>	<u>\$ 8,306,504</u>	<u>\$ 46,609,250</u>

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

**Gila County**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Assets**  
**June 30, 2011**

<b>Total Fund Balance for Governmental Funds</b>	\$ 40,286,990
<b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	31,165,650
Some receivables are not available to pay for current-period expenditures and therefore, are deferred in the funds.	1,097,215
Deferred charges on issuance of long term liabilities are not financial resources and therefore are not reported in the governmental funds.	283,493
Some liabilities, including bonds payable, premium on the bonds and compensated absences, are not due and payable in the current period and therefore, are not reported in the funds.	<u>(9,002,717)</u>
<b>Net Assets of Governmental Activities</b>	<u><u>\$ 63,830,631</u></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, 2011**

	<u>General Fund</u>	<u>Public Works Fund</u>	<u>Housing Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Taxes	\$ 26,610,775	\$ 2,766,830	\$ -	\$ 1,252,840	\$ 30,630,445
Licenses and Permits	514,038	2,859	-	-	516,897
Intergovernmental	13,120,726	4,555,893	1,654,055	12,042,951	31,373,625
Charges for Services	2,806,835	163,520	-	543,731	3,514,086
Fines and Forfeitures	765,061	-	-	-	765,061
Donations and Contributions	-	-	195,022	174,919	369,941
Investment Income	65,322	26,919	-	21,894	114,135
Miscellaneous	1,000,012	20,892	-	521,661	1,542,565
Total Revenue	<u>44,882,769</u>	<u>7,536,913</u>	<u>1,849,077</u>	<u>14,557,996</u>	<u>68,826,755</u>
<b>Expenditures</b>					
Current:					
General Government	19,463,838	-	-	518,466	19,982,304
Public Safety	14,012,238	-	-	2,542,605	16,554,843
Highways and Streets	-	5,617,669	-	56,999	5,674,668
Health	1,373,611	-	-	1,154,600	2,528,211
Welfare	3,618,696	-	1,845,048	4,219,127	9,682,871
Sanitation	-	-	-	89,215	89,215
Culture and Recreation	220,229	-	-	1,195,103	1,415,332
Education	1,992,022	-	-	2,697,264	4,689,286
Debt Service:					
Principal Retirement	290,000	-	-	27,059	317,059
Interest and Fiscal Charges	327,850	-	-	10,058	337,908
Capital Outlay	5,820,342	422,092	35,250	2,203,507	8,481,191
Total Expenditures	<u>47,118,826</u>	<u>6,039,761</u>	<u>1,880,298</u>	<u>14,714,003</u>	<u>69,752,888</u>
Excess (Deficiency) of Revenues over Expenditures	(2,236,057)	1,497,152	(31,221)	(156,007)	(926,133)
<b>Other Financing Sources (Uses):</b>					
Proceeds from Sale of Capital Assets	9,669	-	-	-	9,669
Transfers In	810,922	-	80,000	102,500	993,422
Transfers Out	(182,500)	(661,786)	-	(51,686)	(895,972)
Total Other Financing Sources (Uses)	<u>638,091</u>	<u>(661,786)</u>	<u>80,000</u>	<u>50,814</u>	<u>107,119</u>
Net Change in Fund Balances	(1,597,966)	835,366	48,779	(105,193)	(819,014)
Fund Balances, Beginning of Year, As Restated	<u>26,208,491</u>	<u>7,830,942</u>	<u>95,867</u>	<u>6,970,704</u>	<u>41,106,004</u>
Fund Balances, End of Year	<u>\$ 24,610,525</u>	<u>\$ 8,666,308</u>	<u>\$ 144,646</u>	<u>\$ 6,865,511</u>	<u>\$ 40,286,990</u>

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

**Gila County**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances of the Governmental Funds**  
**to the Statement of Activities**  
**Year Ended June 30, 2011**

**Net Change in Fund Balances - Total Governmental Funds** \$ (819,014)

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

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

Capital Outlay	\$ 7,424,530	
Depreciation Expense	(2,079,031)	
Excess Capital Expenditures over Depreciation	5,345,499	5,345,499

The statement of activities reports losses and gains arising from the disposal of existing capital assets. Conversely, governmental funds do not report any gain or loss on disposals of capital assets. (10,017)

Collections of revenues in the governmental funds exceeded revenues reported in the Statement of Activities. 169,928

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

Bond Premium	11,572	
Bond issue costs	(15,750)	
Principal Repaid	317,059	312,881

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when the financial resources are available.

Increase in Compensated Absences		(34,794)
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**Change in Net Assets of Governmental Activities** \$ 4,964,483

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

**Gila County**  
**Statement of Net Assets**  
**Proprietary Fund**  
**June 30, 2011**

	Business-Type Activities - Landfill
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 1,273,851
Accounts Receivable	139,524
Total Current Assets	1,413,375
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	
Capital Assets	4,472,893
Non-Depreciable	3,000,000
Depreciable (net)	975,371
Total Noncurrent Assets	8,448,264
Total Assets	9,861,639
<b>Liabilities</b>	
Current Liabilities:	
Accounts Payable	42,738
Accrued Wages and Benefits	19,868
Compensated Absences	25,643
Capital Leases Payable	24,946
Total Current Liabilities	113,195
Noncurrent Liabilities:	
Capital Leases Payable	32,434
Landfill Postclosure Payable	2,706,670
Total Noncurrent Liabilities	2,739,104
Total Liabilities	2,852,299
<b>Net Assets</b>	
Invested in Capital Assets Net of Related Debt	3,917,991
Restricted for Landfill Closure and Postclosure Care Costs	1,766,223
Unrestricted	1,325,126
Total Net Assets	\$ 7,009,340

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

**Gila County**  
**Statement of Revenues, Expenses, and Changes, in Fund Net Assets**  
**Proprietary Fund**  
**Year Ended June 30, 2011**

	Business-Type Activities - Landfill
Operating Revenues:	
Charges for Services	\$ 1,571,601
Operating Expenses:	
Personnel Services and Employee Benefits	561,372
Professional Services	75,808
Supplies	106,589
Utilities	15,337
Repairs and Maintenance	101,920
Landfill Closure and Postclosure Care Costs	110,116
Other	6,483
Depreciation	204,186
Total Operating Expenses	1,181,811
Operating Income	389,790
Nonoperating Revenues (Expense):	
Investment Earnings	71,438
Interest Expense	(1,772)
Total Nonoperating Revenue (Expense)	69,666
Income Before Transfers	459,456
Transfers Out	(97,450)
Change in Net Assets	362,006
Net Assets	
Beginning of Year, as Restated	6,647,334
End of Year	\$ 7,009,340

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

**Gila County**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**Year Ended June 30, 2011**

	Business-Type Activities - Landfill
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 1,539,912
Payments to Suppliers	(300,116)
Payments to Employees	(565,583)
Net Cash Provided by Operating Activities	674,213
Cash Flows from Noncapital Financing Activities:	
Transfers Out	(97,450)
Cash Flows from Capital and Related Financing Activities:	
Purchases of Capital Assets	(75,070)
Principal Paid on Capital Lease	(18,145)
Interest Paid on Capital Lease	(1,772)
Net Cash Flows Used for Capital and Related Financing Activities	(94,987)
Cash Flows from Investing Activities:	
Investment Income	71,438
Net Change in Cash and Cash Equivalents	553,214
Cash and Cash Equivalents, Beginning of Year, As Restated	5,193,530
Cash and Cash Equivalents, End of Year (\$1,273,851 + \$4,472,893)	\$ 5,746,744
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income	\$ 389,790
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	204,186
Change in Assets/Liabilities:	
Accounts Receivable	(31,689)
Accounts Payable	6,021
Accrued Wages and Benefits	1,414
Compensated Absences	(5,625)
Landfill Postclosure Payable	110,116
Net Cash Provided by Operating Activities	\$ 674,213

Noncash Investing, Capital and Noncapital Financing Activities:

During the fiscal year ended June 30, 2011, the County financed the purchase of \$75,525 of assets through a capital lease.

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

**Gila County**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2011**

	<b>Investment Trust Fund</b>	<b>Agency Funds</b>
<b>Assets</b>		
Cash and Cash Equivalents	\$ -	\$ 783,861
Investments	37,510,131	-
Total Assets	37,510,131	\$ 783,861
<b>Liabilities</b>		
Due to Other Governments	-	\$ 161,761
Deposits Held for Others	-	622,100
Total Liabilities	-	\$ 783,861
<b>Net Assets</b>		
Held in Trust for Investment Trust Participants	\$ 37,510,131	

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, 2011**

	<b>Investment Trust Fund</b>
<b>Additions:</b>	
Contributions from Participants	\$ 135,755,262
Investment Earnings	221,843
Total Additions	135,977,105
<b>Deductions:</b>	
Distributions to Participants	141,537,464
Change in Net Assets	(5,560,359)
Net Assets, July 1, 2010	43,070,490
Net Assets, June 30, 2011	\$ 37,510,131

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

**Gila County**  
**Notes to Financial Statements**  
**June 30, 2011**

**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, 2011, the County implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 establishes standards for financial reporting, including note disclosure requirements, for fund balance classifications of the governmental funds and clarifies existing governmental fund type definitions.

**A. Reporting Entity**

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

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

The following table describes the County's component units:

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

**Related Organizations**

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

**Gila County**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

***B. Basis of Presentation***

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

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

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

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

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues.

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

**Fund financial statements**—provide information about the County's funds, including fiduciary funds and blended component units. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

**Gila County**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

***B. Basis of Presentation (Continued)***

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

The County reports the following major governmental funds:

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

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

The *Housing Fund*, a special revenue fund, accounts for the County's affordable housing operations funded through federal grants provided by the U.S. Department of Housing and Urban Development.

The County reports the following proprietary fund:

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

Additionally, the County reports the following fund types:

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

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

***C. Basis of Accounting***

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

**Gila County**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

***C. Basis of Accounting (Continued)***

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

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

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

***D. Cash and Investments***

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

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

**Gila County**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

***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. At June 30, 2011, 31 percent of the total governmental activities capital assets are stated at estimated historical cost based on price levels at time of acquisition. Donated assets are reported at estimated fair value at the time received.

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

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

***G. Fund Balance Classifications***

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

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

**Gila County**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

***G. Fund Balance Classifications (Continued)***

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

Assigned fund balances are resources constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Supervisors has not authorized any one particular County employee to make assignments of resources for a specific purpose.

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

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

***H. Investment Income***

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

***I. Compensated Absences***

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

Employees may accumulate up to 240 hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount that are unused at year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the government-wide and proprietary fund financial statements. A liability is reported in the governmental funds' financial statements only if they have matured; for example, as a result of employee resignations and retirements by fiscal year-end.

Employees may accumulate an unlimited number of sick leave hours. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. Because sick leave benefits do not vest with employees, a liability for sick leave benefits is not accrued in the financial statements. However, upon retirement, employees who have accumulated at least 1,000 hours of sick leave receive a \$3,000 bonus. The liability for the bonus related to the sick leave is recorded in the government-wide and proprietary fund financial statements.

**Gila County**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 2 – Individual Fund Deficits**

The following Special Revenue Funds had fund deficits in excess of \$1,000 as of June 30, 2011:

<u>Fund</u>	<u>Deficit</u>
Proposition 201 Smoke Free AZ Act	\$ 9,594
FTF Early Childhood Screening	11,385
Sheriff BLESF Program	102,807
Crime Victim Assistance Program	6,391
Adult Intensive Probation Supervision	15,559
State Aid Enhancement	73,794
Midland/Central Heights Streets Lighting Improvement District	8,321
Claypool/Lower Miami Streets Lighting Improvement District	10,305

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

**Note 3 – Deposits and Investments**

Arizona Revised Statutes (A.R.S.) authorize the County to invest public monies in the State Treasurer's investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds; 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 of prime quality and be rated within the top two ratings by a nationally recognized rating agency.
2. Corporate bonds, debentures, and notes must be rated within the top three ratings by a nationally recognized rating agency.
3. Fixed income securities must carry one of the two highest ratings by Moody's investors service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

*Custodial credit risk* - Statutes require collateral for demand deposits and certificates of deposit at 101 percent of all deposits not covered by federal depository insurance.

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

**Gila County**  
**Notes to Financial Statements**  
**June 30, 2011**

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

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

*Foreign currency risk* - Statutes do not allow foreign investments.

*Deposits*—At June 30, 2011, the carrying amount of the County's deposits was \$21,708,662 and the bank balance was \$22,891,941.

*Investments*—The County's investments at June 30, 2011, were as follows:

<b>Investment Type</b>	<b>Amount</b>
U.S. Agency Securities	\$ 59,791,808
U.S. Treasury Money Market Fund	1,328,918
	\$ 61,120,726

*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, 2011, credit risk for the County's investments was as follows:

<b>Investment Type</b>	<b>Rating</b>	<b>Rating Agency</b>	<b>Amount</b>
U.S. Agency Securities	Aaa	Moody's	\$ 59,791,808
U.S. Treasury Money Market Fund	Aaa	Moody's	1,328,918
			\$ 61,120,726

*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, 2011, the County had \$1,328,918 of investments reported in the General Fund. The investments were held by a trustee in a U. S. Treasury money market fund and was uninsured, not registered in the County's name, and held by the counterparty.

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

**Gila County**  
**Notes to Financial Statements**  
**June 30, 2011**

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

Five percent or more of the County's investments at June 30, 2011, were in debt securities of various U.S. agencies as follows:

<u>U.S. Agency</u>	<u>Amount</u>	<u>Percent of County Investments</u>
Federal Home Loan Bank System	\$ 30,765,073	50.3%
Federal National Mortgage Association	7,255,404	11.9%
Federal Farm Credit Banks	4,506,981	7.4%
Federal Home Loan Mortgage System	17,264,350	28.2%
	<u>\$ 59,791,808</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.

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities</u>	
		<u>Less than 1 Year</u>	<u>1-5 Years</u>
U.S. Agency Securities	\$ 59,791,808	\$ 22,797,349	\$ 36,994,459
U.S. Treasury Money Market Fund	1,328,918	1,328,918	-
	<u>\$ 61,120,726</u>	<u>\$ 24,126,267</u>	<u>\$ 36,994,459</u>

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

Cash, Deposits, and Investments:

Cash on Hand	\$ 6,000
Amount of Deposits	21,708,662
Amount of Investments	61,120,726
	<u>\$ 82,835,388</u>

	<u>Statement of Net Assets</u>		<u>Statement of Fiduciary Net Assets</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Investment Trust Fund</u>	<u>Agency Funds</u>	
Cash and Cash Equivalents	\$ 15,184,057	\$ 1,273,851	\$ -	\$ 783,861	\$ 17,241,769
Investments	22,281,677	-	37,510,131	-	59,791,808
Total Cash and Investments	37,465,734	1,273,851	37,510,131	783,861	77,033,577
Restricted Cash	-	4,472,893	-	-	4,472,893
Cash and Investments Held by Trustee	1,328,918	-	-	-	1,328,918
	<u>\$ 38,794,652</u>	<u>\$ 5,746,744</u>	<u>\$ 37,510,131</u>	<u>\$ 783,861</u>	<u>\$ 82,835,388</u>

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

**Gila County**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 4 – Due from Other Governments**

Amounts due from other governments at June 30, 2011, in the Statement of Net Assets include \$446,747 in County excise and transportation tax, \$314,345 in Highway User Revenue, \$185,979 in state-shared sales tax, \$217,963 in auto lieu tax and license registration fees, \$169,809 in Medicaid refunds, \$392,514 in Workforce Investment Act grants, \$84,557 in federal forest service reimbursements, \$285,148 in health service grants, \$672,376 in other community service grants, \$395,203 in road related grant reimbursements, \$178,281 in other federal grants, \$142,336 in state grants, \$102,969 in education grants, \$233,257 in state school equalization, and \$592,362 in reimbursements and charges for services due from various government agencies.

**Note 5 – Capital Assets**

Capital asset activity for the year ended June 30, 2011, was as follows:

	Beginning Balance (As Restated)	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 1,099,652	\$ 78,292	\$ -	\$ 1,177,944
Construction in Progress (estimated cost to complete \$6,238,259)	3,635,315	5,703,170	656,285	8,682,200
Total Capital Assets, Not Being Depreciated	4,734,967	5,781,462	656,285	9,860,144
<b>Capital Assets, Being Depreciated:</b>				
Buildings	20,307,080	412,957	-	20,720,037
Improvements Other Than Buildings	913,352	82,519	-	995,871
Machinery and Equipment	22,024,240	1,683,670	295,414	23,412,496
Infrastructure	13,828,808	120,207	-	13,949,015
Total Capital Assets, Being Depreciated	57,073,480	2,299,353	295,414	59,077,419
Accumulated Depreciation for:				
Buildings	12,911,454	508,348	-	13,419,802
Improvements Other Than Buildings	194,201	41,653	-	235,854
Machinery and Equipment	16,631,980	1,260,144	285,397	17,606,727
Infrastructure	6,240,644	268,886	-	6,509,530
Total Accumulated Depreciation	35,978,279	2,079,031	285,397	37,771,913
Total Capital Assets, Being Depreciated, Net	21,095,201	220,322	10,017	21,305,506
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 25,830,168</b>	<b>\$ 6,001,784</b>	<b>\$ 666,302</b>	<b>\$ 31,165,650</b>

The beginning balances were restated due to reporting the Landfill Fund as a proprietary fund, as discussed in Note 10. As a result of the restatement, certain assets previously included in the governmental activities land, infrastructure, and machinery and equipment are now reported as business-type activities' capital assets. Those assets and related accumulated depreciation were recorded at the gross amount in the business-type activities on the next page.

**Gila County**  
**Notes to Financial Statements**  
**June 30, 2011**

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

	Beginning Balance (As Restated)	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 3,000,000	\$ -	\$ -	\$ 3,000,000
<b>Capital Assets, Being Depreciated:</b>				
Machinery and Equipment	4,511,165	150,595	111,655	4,550,105
Infrastructure	169,340	-	-	169,340
Total Capital Assets, Being Depreciated	<u>4,680,505</u>	<u>150,595</u>	<u>111,655</u>	<u>4,719,445</u>
Accumulated Depreciation for:				
Machinery and Equipment	3,537,944	204,151	111,655	3,630,440
Infrastructure	113,599	35	-	113,634
Total Accumulated Depreciation	<u>3,651,543</u>	<u>204,186</u>	<u>111,655</u>	<u>3,744,074</u>
Total Capital Assets, Being Depreciated, Net	<u>1,028,962</u>	<u>(53,591)</u>	<u>-</u>	<u>975,371</u>
<b>Business-Type Activities Capital Assets, Net</b>	<u>\$ 4,028,962</u>	<u>\$ (53,591)</u>	<u>\$ -</u>	<u>\$ 3,975,371</u>

Depreciation expense was charged to functions as follows:

**Governmental Activities:**

General Government	\$ 988,805
Public Safety	318,831
Highways and Streets	664,006
Health	32,501
Welfare	33,100
Sanitation	9,837
Culture and Recreation	26,877
Education	5,074
	<u>\$ 2,079,031</u>

**Business-Type Activities:**

Landfill	<u>\$ 204,186</u>
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**Construction Commitments**

The County has active construction projects as of June 30, 2011, with estimated costs to complete of \$6,238,259 of which the more significant of these projects includes the Public Works shop/road buildings, Monroe Street Reconstruction, Pine Creek Canyon Road, Russell Road Turn Lane, and Tonto Creek bridges. Funding for the public works shop/road buildings, Monroe Street Reconstruction, Pine Creek Canyon Road, and Russell Road Turn Lane will be provided from the prior year bond issue. The Tonto Creek bridges will be funded by an intergovernmental agreement with ADOT and the use of a portion of the prior year bond proceeds.

**Gila County**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 6 – Loans Payable**

The County maintains a revolving line of credit with a \$3,500,000 limit and interest payable at the same time as principal, which is contingent on the County's receipt of "nonrestricted operating revenues" as defined by A.R.S. §11-604.01. The credit line is secured by "nonrestricted" operating revenues received by the County Treasurer. Any unpaid principal and interest becomes due on the maturity date of June 30 of each year. The interest rate is at the bank's prime rate less 3.55% for fiscal year 2011. The following schedule summarizes the activity for the line of credit for the fiscal year ended June 30, 2011. The County had no outstanding balance at year-end.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within 1 Year
<b>Governmental Activities</b>					
Line of Credit	\$ -	\$ 453,808	\$ 453,808	\$ -	\$ -

**Note 7 – Long-Term Liabilities**

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2011:

	Beginning Balance (As Restated)	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Series 2009 Pledged Revenue Refunding Obligations	\$ 1,110,000	\$ -	\$ 40,000	\$ 1,070,000	\$ 45,000
Series 2009 Pledged Revenue Obligations	6,690,000	-	250,000	6,440,000	260,000
Bond Premium	219,863	-	11,572	208,291	-
Capital Leases Payable	27,059	-	27,059	-	-
Compensated Absences Payable	1,249,632	1,551,310	1,516,516	1,284,426	1,284,426
<b>Governmental Activities Long-Term Liabilities</b>	<b>\$ 9,296,554</b>	<b>\$ 1,551,310</b>	<b>\$ 1,845,147</b>	<b>\$ 9,002,717</b>	<b>\$ 1,589,426</b>

	Beginning Balance (As Restated)	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-Type Activities</b>					
Capital Leases Payable	\$ -	\$ 75,525	\$ 18,145	\$ 57,380	\$ 24,946
Landfill Closure and Postclosure Care Costs Payable	2,596,554	110,116	-	2,706,670	-
Compensated Absences Payable	31,268	29,255	34,880	25,643	25,643
<b>Business-Type Activities Long-Term Liabilities</b>	<b>\$ 2,627,822</b>	<b>\$ 214,896</b>	<b>\$ 53,025</b>	<b>\$ 2,789,693</b>	<b>\$ 50,589</b>

The beginning balances of the long-term debt for the governmental activities and the business-type activities were restated due to the County reclassifying the Landfill Fund, previously reported in the General Fund, as a proprietary enterprise fund. See Note 10 for further information related to the reclassification.

**Gila County**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 7 – Long-Term Liabilities (Continued)**

**Series 2009 Pledged Revenue Obligations**—During the year ended June 30, 2010, the County issued \$8,000,000 in pledged revenue obligations with an interest rate of 3.0-5.0 percent to finance renovation costs for a newly-acquired county administration building and several other County buildings, and to advance refund the outstanding 1999 Series A certificates of participation. The obligations are generally noncallable, with interest payable semi-annually. The County's obligation to make pledged revenue obligation payments will be payable solely from, and secured by, a pledge and lien upon the County's excise taxes through fiscal year 2029. Annual principal and interest payments on the bonds are expected to require less than 15% of pledged revenues. In the current year, total principal and interest paid, and total pledged resources were \$617,850 and \$4,377,798 respectively.

Bonds payable at June 30, 2011, were as follows:

<u>Description</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2011</u>
Series 2009	3-5%	7/1/2011-2029	\$ 8,000,000	\$ 7,510,000

The following schedule details debt service requirements to maturity for the County's pledged revenue obligation bonds at June 30, 2011:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 305,000	\$ 319,150
2013	310,000	310,000
2014	320,000	300,700
2015	325,000	291,100
2016	340,000	281,350
2017-2021	1,905,000	1,192,750
2022-2026	2,320,000	766,100
2027-2029	1,685,000	171,250
Total	<u>\$ 7,510,000</u>	<u>\$ 3,632,400</u>

In prior years, the County defeased certain certificates of participation by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old certificates. Accordingly, the trust account assets and the liability for these defeased bonds are not included in the County's financial statements. At June 30, 2011, \$890,000 of the 1999 Series A certificates of participation remains and were considered defeased.

**Gila County**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 7 – Long-Term Liabilities (Continued)**

**Capital leases**—The County has acquired machinery and equipment under the provisions of various long-term lease agreements classified as capital leases for accounting purposes because they provide for a bargain purchase option or a transfer of ownership by the end of the lease term. The governmental capital assets were paid off during the fiscal year.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Machinery and Equipment	\$ 539,161	\$ 75,525
Less: Accumulated Depreciation	246,377	17,588
Carrying Value	<u>\$ 292,784</u>	<u>\$ 57,937</u>

The following schedule details debt service requirements to maturity for the County's capital leases payable at June 30, 2011:

<u>Year Ending June 30,</u>	Business-Type Activities
2012	\$ 26,556
2013	26,556
2014	<u>6,639</u>
Total Minimum Lease Payments	59,751
Less Amount Representing Interest	<u>2,371</u>
Present Value of Net Minimum Lease Payments	<u>\$ 57,380</u>

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

The amount recognized each year is based on landfill capacity used at the end of each fiscal year. The \$2,706,670 reported as landfill closure and postclosure care liability at June 30, 2011, represents the cumulative amount reported to date based on the approximate use of 60 percent of the estimated capacity of the Buckhead Mesa Landfill and 54 percent of the Russell Gulch Landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$2,060,290 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 2011.

**Gila County**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 7 – Long-Term Liabilities (Continued)**

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

In order to comply with state and federal laws and regulations, the County obtained a letter of credit on July 9, 2009, to ensure the costs of landfill closure, postclosure, and possible corrective action can be met. As part of the agreement for the line of credit, the County established a mandatory sinking fund with an escrow agent. The sinking fund balance will equal the estimated landfill closure and postclosure care costs when the landfills are expected to close. The current balance is reported in the business-type activities statement of net assets and the proprietary fund statement of net assets as restricted cash. For fiscal year 2011, the County's annual payments to comply with this agreement total \$340,000. The County entered this agreement as an alternative to complying with the local government financial test requirements.

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

**Compensated Absences**—During the year ended June 30, 2011, the County paid for compensated absences as follows: 62% from the General Fund, 14% from the Public Works Fund, 1% from the Housing Fund, 2% from the Landfill Fund, and 21% from other funds. Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs.

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

**Gila County**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 8 – Fund Balance Classifications of the Governmental Funds**

The fund balance classifications of the governmental funds as of June 30, 2011, were as follows:

	General Fund	Public Works Fund	Housing Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:					
Restricted for:					
Public Safety	\$ 913,250	\$ -	\$ -	\$ 656,803	\$ 1,570,053
Highways and Streets	-	8,666,308	-	98,279	8,764,587
Health	21,737	-	-	559,810	581,547
Welfare	-	-	-	761,632	761,632
Sanitation	-	-	-	77,660	77,660
Education	1,084	-	-	1,233,962	1,235,046
Housing	-	-	144,646	-	144,646
Library	-	-	-	648,357	648,357
Judicial Services	153,128	-	-	2,758,369	2,911,497
Capital Projects	-	-	-	205,739	205,739
Debt Service	1,146,243	-	-	-	1,146,243
Other	-	-	-	107,462	107,462
Total Restricted	<u>2,235,442</u>	<u>8,666,308</u>	<u>144,646</u>	<u>7,108,073</u>	<u>18,154,469</u>
Unassigned	<u>22,375,083</u>	<u>-</u>	<u>-</u>	<u>(242,562)</u>	<u>22,132,521</u>
Total Fund Balance	<u><u>24,610,525</u></u>	<u><u>8,666,308</u></u>	<u><u>144,646</u></u>	<u><u>6,865,511</u></u>	<u><u>40,286,990</u></u>

**Note 9 – Risk Management**

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

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 11 member counties. The pool provides member counties catastrophic loss coverage for risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters; and provides risk management services. Such coverage includes all defense costs as well as the amount of any judgment or settlement. The County is responsible for paying a premium, based on its exposure in relation to the exposure of the other participants, and a deductible of \$25,000 per occurrence for property claims and \$25,000 per occurrence for liability claims. The County is also responsible for any payments in excess of the maximum coverage of \$300 million per occurrence for property claims and \$15 million per occurrence for liability claims. However, lower limits apply to certain categories of losses. A county must participate in the pool at least three years after becoming a member; however, it may withdraw after the initial three-year period. If the pool were to become insolvent, the County would be assessed an additional contribution.

**Gila County**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 9 – Risk Management (Continued)**

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 – Change in Accounting Principle**

As a result of the implementation of GASB Statement No. 54, the County reclassified several of its governmental funds for financial reporting purposes.

The following summary reconciles beginning fund balance to the prior year audited financial statements:

	General Fund	Public Works Fund	Housing Fund	Other Governmental Funds	Total Governmental
Beginning Fund Balance (as previously reported)	\$ 28,363,098	\$ 7,830,942	\$ 95,867	\$ 10,062,291	\$ 46,352,198
Restatements for GASB 54: Reclassification of Special Revenue Funds to the General Fund	3,091,587	-	-	(3,091,587)	-
Landfill Transfer	(5,246,194)	-	-	-	(5,246,194)
Beginning Fund Balance (as restated)	<u>\$ 26,208,491</u>	<u>\$ 7,830,942</u>	<u>\$ 95,867</u>	<u>\$ 6,970,704</u>	<u>\$ 41,106,004</u>

The Landfill Fund was moved from the General Fund and is reported as a Proprietary Fund based on a change in accounting principle by management. Landfill Funds can be reported as either a governmental or proprietary funds; the County determined measuring net income of the Landfill, separate from other funds was necessary to monitoring the funding progress of the landfill closure and postclosure care costs.

	Governmental Activities	Landfill
Beginning Net Assets (as previously reported)	\$ 65,513,482	\$ -
Restatements due to: Landfill Transfer	<u>(6,647,334)</u>	<u>6,647,334</u>
Beginning Net Assets (as restated)	<u>\$ 58,866,148</u>	<u>\$ 6,647,334</u>

**Gila County**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 11 – Pensions and Other Postemployment Benefits**

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

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

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

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

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

**Gila County**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 11 – Pensions and Other Postemployment Benefits (Continued)**

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

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

**Cost-sharing plans**—For the year ended June 30, 2011, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.85 percent (9.6 percent for retirement and 0.25 percent for long-term disability) of the members’ annual covered payroll and the County was required by statute to contribute at the actuarially determined rate of 9.85 percent (9.01 percent for retirement, 0.59 percent for health insurance premium, and 0.25 percent for long-term disability) of the members’ annual covered payroll.

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

Arizona State Retirement System Last Three Fiscal years			
	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
Years Ended June 30,			
2011	\$ 1,339,305	\$ 87,701	\$ 37,162
2010	1,481,953	117,277	71,077
2009	1,349,254	162,113	84,434

**Gila County**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 11 – Pensions and Other Postemployment Benefits (Continued)**

*Agent plans*—For the year ended June 30, 2011, 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 20.48 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 1.59 percent of covered payroll. Active CORP members were required by statute to contribute 8.41 percent of the members' annual covered payroll and the County was required to contribute 5.03 percent for the County corrections officers and 6.00 percent for the County dispatchers. The aggregate of these members' and the County contributions are the actuarially required amounts. The health insurance premium portion of the contribution rate was actuarially set at 1.13 percent and 0.71 percent of covered payroll for the County corrections officers and dispatchers, respectively. Active EORP members were required by statute to contribute 7.00 percent of the members' annual covered payroll; and the County was required to remit a designated portion of certain court fees, plus additional contributions at the actuarially determined rate of 17.42 percent. The health insurance premium portion of the contribution rate was actuarially set at 1.77 percent of covered payroll. The health insurance contribution rates reported include both the actuarially determined rates for normal cost and for the amortization of the unfunded accrued liability for health insurance.

Actuarial methods and assumptions—The contribution requirements for the year ended June 30, 2011, were established by the June 30, 2009, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

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

**Gila County**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 11 – Pensions and Other Postemployment Benefits (Continued)**

Projections of benefits are based on 1) the plans as understood by the County and plans' members and include the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between the County and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2011 contribution requirements, are as follows:

Actuarial valuation date	June 30, 2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	27 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases	5.50% – 8.50% for PSPRS and CORP; 5.00% for EORP
Includes inflation at	5.50% for PSPRS and CORP; 5.00% for EORP

**Annual Pension/OPEB Cost**—The County's pension/OPEB cost for the agent plans for the year ended June 30, 2011, and related information follows:

	<b>PSPRS</b>		<b>CORP (Corrections Officers)</b>		<b>CORP (Dispatchers)</b>		<b>EORP</b>	
	Pension	Health Insurance	Pension	Health Insurance	Pension	Health Insurance	Pension	Health Insurance
Annual Pension/OPEB Cost	\$ 439,185	\$ 36,967	\$ 96,772	\$ 28,039	\$ 49,134	\$ 6,595	\$ 167,413	\$ 6,714
Contributions Made	463,867	12,285	124,166	645	55,729	-	167,413	6,714

**Gila County**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 11 – Pensions and Other Postemployment Benefits (Continued)**

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

<u>Plan</u>	<u>Year Ended June 30</u>	<u>Annual Pension/OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net Pension/OPEB Obligation</u>
<b>PSPRS</b>				
Pension	2011	\$ 439,185	106%	\$ 24,682
Health Insurance	2011	36,967	33%	(24,682)
Pension	2010	422,009	104%	18,669
Health Insurance	2010	35,293	47%	(18,669)
Pension	2009	469,011	106%	27,788
Health Insurance	2009	41,923	34%	(27,788)
<b>CORP Corrections Officers</b>				
Pension	2011	96,772	128%	27,394
Health Insurance	2011	28,039	2%	(27,394)
Pension	2010	153,574	107%	11,106
Health Insurance	2010	16,637	33%	(11,106)
Pension	2009	160,364	111%	17,293
Health Insurance	2009	17,293	0%	(17,293)
<b>CORP Dispatchers</b>				
Pension	2011	49,134	113%	6,595
Health Insurance	2011	6,595	0%	(6,595)
Pension	2010	42,583	110%	4,155
Health Insurance	2010	7,555	45%	(4,155)
Pension	2009	50,081	116%	8,159
Health Insurance	2009	8,159	0%	(8,159)
<b>EORP</b>				
Pension	2011	167,413	100%	
Health Insurance	2011	6,714	100%	
Pension	2010	165,173	100%	
Health Insurance	2010	5,531	100%	
Pension	2009	167,153	100%	
Health Insurance	2009	8,667	100%	

**Funded Status** – The funded status of the plans as of the most recent valuation date, June 30, 2011, along with the actuarial assumptions and methods used in those valuations follow. The EORP, by statute, is a cost-sharing plan. However, because of its statutory construction, in accordance with GASB Statement No. 43, paragraphs 5 and 41, the EORP is reported for such purposes as an agent multiple-employer plan. The Board of Trustees obtains an actuarial valuation for the EORP on its statutory basis as a cost-sharing plan and, therefore, actuarial information for the County, as a participating government, is not available.

**Gila County**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 11 – Pensions and Other Postemployment Benefits (Continued)**

The funded status of the plans as of the most recent valuation date, June 30, 2011, is as follows:

	(In Millions)					
	PSPRS		CORP (Corrections Officers)		CORP (Dispatchers)	
	Pension	Health Insurance	Pension	Health Insurance	Pension	Health Insurance
Actuarial accrued liability (a)	\$ 11.9	\$ 0.4	\$ 2.9	\$ 0.2	\$ 1.6	\$ 0.1
Actuarial value of assets (b)	7.0	-	3.0	-	1.5	-
Unfunded actuarial accrued liability (funding excess) (a)-(b)	4.9	0.4	(0.1)	0.2	0.1	0.1
Funded ratio (b) / (a)	59.0%	0.0%	104.9%	0.0%	92.9%	0.0%
Covered payroll (c)	\$ 2.0	\$ 2.0	\$ 2.3	\$ 2.3	\$ 0.6	\$ 0.6
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll([(a)-(b)] / (c))	246.9%	19.5%	N/A	7.8%	19.8%	11.4%

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

Actuarial valuation date	June 30, 2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	25 years for under funded actuarial accrued liability, 20 years for excess
Asset valuation method	7-Year smoothed market value
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases	5.50% – 8.5% for PSPRS and CORP; 5.00% for EORP
Includes inflation at	5.50% for PSPRS and CORP; 5.00% for EORP

**Gila County**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 12 – Interfund Balances and Activity**

**Interfund receivables and payables** – Interfund balances at June 30, 2011, were as follows:

Payable From	Payable To
	General Fund
Public Works Fund	\$ 2,664
Housing Fund	530,000
Nonmajor Governmental Funds	738,396
Total	\$ 1,271,060

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

**Interfund transfers** – Interfund transfers for the year ended June 30, 2011, were as follows:

Transfer From	Transfer To			
	General Fund	Housing Fund	Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ 80,000	\$ 102,500	\$ 182,500
Public Works Fund	661,786	-	-	661,786
Nonmajor Governmental Funds	51,686	-	-	51,686
Landfill Fund	97,450	-	-	97,450
Total	\$ 810,922	\$ 80,000	\$ 102,500	\$ 993,422

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

**Gila County**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 13 – Condensed Financial Statements of County Treasurer’s Investment Pool**

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

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

A majority of all deposits and investments of the County’s primary government are included in the County Treasurer’s investment pool, except for \$190,428 of deposits, \$4,472,893 of U.S. Agency Securities and \$1,328,918 of U.S. Treasury money market funds. Therefore, the deposit and investment risks of the Treasurer’s investment pool are substantially the same as the County’s deposit and investment risks disclosed in Note 3.

Details of each investment classification follow:

<u>Investment Type</u>	<u>Principal</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Fair Value</u>
U.S. Agency Securities	\$ 55,329,073	0.54-1.125%	7/8/11-10/29/14	\$ 55,318,915

**Gila County**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 13 – Condensed Financial Statements of County Treasurer’s Investment Pool  
(Continued)**

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

<b>Statement of Net Assets</b>	
Assets	<u>\$ 76,058,887</u>
Net assets Held in Trust for:	
Internal participants	38,548,756
External participants	<u>37,510,131</u>
Total Net Assets Held in Trust	<u><u>\$ 76,058,887</u></u>
 <b>Statement of Changes in Net Assets</b>	
Total Additions	\$ 241,333,427
Total Deductions	<u>243,895,327</u>
Net Decrease	(2,561,900)
Net Assets Held in Trust, July 1, 2010	<u>78,620,787</u>
Net Assets Held in Trust, June 30, 2011	<u><u>\$ 76,058,887</u></u>

## **Other Required Supplementary Information**

**Gila County**  
**Required Supplementary Information**  
**Schedule of Agent Retirement Plans' Funding Progress**  
**June 30, 2011**

Actuarial Valuation Date June 30,	Actuarial Value of Plan Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) ( b - a )	Funded Ratio ( a/b )	Annual Covered Payroll ( c )	UAAL as a % of Covered Payroll ( (b-a) / c )
<b>Public Safety Personnel Retirement System</b>						
Pension						
2011	\$ 7,008,504	\$ 11,881,450	\$ 4,872,946	59.0%	\$ 1,973,829	246.9%
Health Insurance						
2011	-	384,716	384,716	0.0%	1,973,829	19.5%
Pension						
2010	6,691,802	10,700,853	4,009,051	62.5%	2,135,860	187.7%
Health Insurance						
2010	-	335,302	335,302	0.0%	2,135,860	15.7%
Pension						
2009	6,618,791	10,325,612	3,706,821	64.1%	2,088,865	177.5%
Health Insurance						
2009	-	334,525	334,525	0.0%	2,088,865	16.0%
<b>Corrections Officers Retirement Plan - Corrections Officers</b>						
Pension						
2011	\$ 3,029,836	\$ 2,889,016	\$ (140,820)	104.9%	\$ 2,269,235	N/A
Health Insurance						
2011	-	177,833	177,833	0.0%	2,269,235	7.8%
Pension						
2010	2,610,037	2,367,964	(242,073)	110.2%	2,268,346	N/A
Health Insurance						
2010	-	139,794	139,794	0.0%	2,268,346	6.2%
Pension						
2009	2,335,601	1,927,732	(407,869)	121.2%	2,229,365	N/A
Health Insurance						
2009	-	116,325	116,325	0.0%	2,229,365	5.2%
<b>Corrections Officers Retirement Plan - Dispatchers</b>						
Pension						
2011	\$ 1,506,794	\$ 1,622,056	\$ 115,262	92.9%	\$ 581,593	19.8%
Health Insurance						
2011	-	66,135	66,135	0.0%	581,593	11.4%
Pension						
2010	1,358,329	1,440,064	81,735	94.3%	726,419	11.3%
Health Insurance						
2010	-	52,936	52,936	0.0%	726,419	7.3%
Pension						
2009	1,283,714	1,431,610	147,896	89.7%	834,498	17.7%
Health Insurance						
2009	-	55,078	55,078	0.0%	834,498	6.6%

See accompanying notes to this Schedule.

**Gila County**  
**Required Supplementary Information**  
**Agent Retirement Plans'**  
**Note to Schedule of Funding Progress**  
**June 30, 2011**

**Note 1 – Actuarial Information Available**

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

**Gila County**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund (Budgetary Basis)**  
**Year Ended June 30, 2011**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
<b>Revenues:</b>			
Taxes	\$ 25,338,845	\$ 26,610,775	\$ 1,271,930
Licenses and Permits	582,500	514,038	(68,462)
Intergovernmental	10,647,886	13,120,726	2,472,840
Charges for Services	1,825,851	2,806,835	980,984
Fines and Forfeitures	658,850	765,061	106,211
Investment Income	60,000	65,322	5,322
Miscellaneous	961,912	1,000,012	38,100
Total Revenues	40,075,844	44,882,769	4,806,925
<b>Expenditures:</b>			
<b>Current:</b>			
<b>General government</b>			
Administrative Services	127,898	105,508	22,390
Assessor	1,030,699	1,024,358	6,341
Board of Supervisors	1,136,817	1,198,029	(61,212)
Community Development	1,489,430	1,244,430	245,000
Computer Services	780,100	571,594	208,506
Constituent Services	300,000	267,118	32,882
Elections	691,170	525,799	165,371
Facilities Management	1,884,857	1,775,638	109,219
Finance	677,050	606,545	70,505
General Administration	1,059,722	880,978	178,744
Personnel	254,310	252,748	1,562
Professional Services	629,000	671,832	(42,832)
Purchasing	89,489	82,841	6,648
Recorder	735,846	608,464	127,382
Rural Addressing	121,087	81,587	39,500
Treasurer	694,638	576,399	118,239
Contingency Reserve	9,600,000	-	9,600,000
<b>Judicial Services</b>			
County Attorney	2,264,504	2,557,074	(292,570)
County Attorney - Child Support	959,034	742,430	216,604
Constable - Globe	114,549	110,070	4,479
Constable - Payson	170,744	214,894	(44,150)
Justice Court - Globe	734,677	656,187	78,490
Justice Court - Payson	667,898	559,176	108,722
Indigent Legal Defense	1,196,278	1,108,958	87,320
Clerk of the Superior Court	1,329,148	1,216,789	112,359
Superior Court - Division I	260,412	250,162	10,250
Superior Court - Division II	237,569	237,976	(407)
Superior Court - General	1,011,941	812,423	199,518
Court System Multi-information Systems	385,971	359,231	26,740
Law Library	99,806	95,425	4,381
Conciliation Court Fund	80,410	69,175	11,235
Total General Government	30,815,054	19,463,838	11,351,216

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

**Gila County**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund (Budgetary Basis) (Continued)**  
**Year Ended June 30, 2011**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Public Safety</b>			
County Sheriff	\$ 10,682,073	\$ 10,506,572	\$ 175,501
County Sheriff - Facilities Management	310,512	282,631	27,881
Emergency Services	529,092	608,473	(79,381)
Flood Plain Management	198,925	171,092	27,833
Juvenile Detention	1,347,982	1,149,613	198,369
Probation	1,071,269	1,293,857	(222,588)
Total Public Safety	<u>14,139,853</u>	<u>14,012,238</u>	<u>127,615</u>
<b>Health</b>	1,401,686	1,373,611	28,075
<b>Welfare</b>			
AHCCCS Contributions	3,504,800	2,971,018	533,782
Indigent Health	25,000	17,529	7,471
Community Agencies	264,500	200,884	63,616
Public Fiduciary	440,102	429,265	10,837
Total Welfare	<u>4,234,402</u>	<u>3,618,696</u>	<u>615,706</u>
<b>Culture and Recreation</b>			
Fairgrounds	275,060	220,229	54,831
<b>Education</b>	402,148	1,992,022	(1,589,874)
<b>Capital Outlay</b>	6,007,541	5,820,342	187,199
<b>Debt Service:</b>			
Principal Retirement	290,000	290,000	-
Interest and Fiscal Charges	331,850	327,850	4,000
Total Debt Service	<u>621,850</u>	<u>617,850</u>	<u>4,000</u>
Total Expenditures	<u>57,897,594</u>	<u>47,118,826</u>	<u>10,778,768</u>
<b>Excess of Revenues over Expenditures</b>	(17,821,750)	(2,236,057)	15,585,693
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Capital Assets	-	9,669	9,669
Transfers In	1,800,000	810,922	(989,078)
Transfers Out	(4,167,909)	(182,500)	3,985,409
Net Other Financing Sources (Uses)	<u>(2,367,909)</u>	<u>638,091</u>	<u>3,006,000</u>
<b>Net Change in Fund Balances</b>	(20,189,659)	(1,597,966)	18,591,693
Fund Balances, Beginning of Year (As Restated)	20,189,659	26,208,491	6,018,832
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ 24,610,525</u>	<u>\$ 24,610,525</u>

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

**Gila County**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Public Works Fund**  
**Year Ended June 30, 2011**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
<b>Revenues:</b>			
Taxes	\$ 3,379,536	\$ 2,766,830	\$ (612,706)
Licenses and Permits	3,600	2,859	(741)
Intergovernmental	3,705,278	4,555,893	850,615
Charges for Services	100,000	163,520	63,520
Investment Income	38,000	26,919	(11,081)
Miscellaneous	392,350	20,892	(371,458)
Total Revenues	7,618,764	7,536,913	(81,851)
<b>Expenditures:</b>			
<b>Current:</b>			
Highways and Streets			
Administrative Services	654,975	620,104	34,871
Engineering Services	6,283,953	1,102,014	5,181,939
Survey Department	216,608	230,958	(14,350)
Road Maintenance and Repair	2,599,775	2,581,376	18,399
Maintenance Shops	1,079,426	1,083,217	(3,791)
Total Highways and Streets	10,834,737	5,617,669	5,217,068
Capital Outlay	1,930,000	422,092	1,507,908
Debt Service			
Principal Retirement	132,713	-	132,713
Total Expenditures	12,897,450	6,039,761	6,857,689
<b>Excess of Revenues Over (Under) Expenditures</b>	(5,278,686)	1,497,152	6,775,838
<b>Other Financing Sources (Uses):</b>			
Transfers Out	-	(661,786)	(661,786)
Net Change in Fund Balances	(5,278,686)	835,366	6,114,052
Fund Balances, Beginning of Year	5,278,686	7,830,942	2,552,256
Fund Balances, End of Year	\$ -	\$ 8,666,308	\$ 8,666,308

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

**Gila County**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Housing Fund**  
**Year Ended June 30, 2011**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues:</b>			
Intergovernmental	\$ 1,839,149	\$ 1,654,055	\$ (185,094)
Donations and Contributions	75,816	195,022	119,206
Total Revenues	<u>1,914,965</u>	<u>1,849,077</u>	<u>(65,888)</u>
<b>Expenditures:</b>			
<i>Current:</i>			
Welfare	1,993,965	1,845,048	148,917
<b>Capital Outlay</b>	<u>1,000</u>	<u>35,250</u>	<u>(34,250)</u>
Total Expenditures	<u>1,994,965</u>	<u>1,880,298</u>	<u>114,667</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(80,000)	(31,221)	48,779
<b>Other Financing Sources (Uses):</b>			
Transfers In	<u>80,000</u>	<u>80,000</u>	<u>-</u>
Net Change in Fund Balances	-	48,779	48,779
Fund balances, Beginning of Year	<u>-</u>	<u>95,867</u>	<u>95,867</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ 144,646</u>	<u>\$ 144,646</u>

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

**Gila County**  
**Required Supplementary Information**  
**Notes to the Budgetary Comparison Schedules**  
**June 30, 2011**

**Note 1 - Budgeting and Budgetary Control**

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

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

**Note 2 – Expenditures in Excess of Appropriations**

For the year ended June 30, 2011, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

Fund/Department	Excess
<b>General Fund:</b>	
Board of Supervisors	\$ 61,212
Professional Services	42,832
County Attorney	292,570
Constable - Payson	44,150
Superior Court - Division II	407
Emergency Services	79,381
Probation	222,588
Education	1,589,874
<b>Public Works Fund:</b>	
Survey Department	14,350
Maintenance Shops	3,791
<b>Housing Fund</b>	
Capital Outlay	34,250

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.