

**Gila County**  
**Single Audit Reporting Package**  
**Year Ended June 30, 2004**

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**Year Ended June 30, 2004**

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**Gila County**  
**Single Audit Reporting Package**  
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## Independent Auditor's Report

The Auditor General of the State of Arizona

The Board of Supervisors of  
Gila County, Arizona

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Gila County as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of Gila County as of June 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The Schedule of Agent Retirement Plans' Funding Progress on page 30 and the Budgetary Comparison Schedules on pages 31 through 36, are not a required part 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.

Gila County has not presented the Management Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2007, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in cursive script that reads "Miller, Allen & Co., P.C.".

September 18, 2007

## Basic Financial Statements

Gila County  
Statement of Net Assets  
June 30, 2004

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and investments	\$ 18,489,287
Cash and investments held by trustee	324,500
Receivables (net of allowances for uncollectibles):	
Property taxes	506,243
Accounts	744,726
Due from other governments	3,695,586
Prepaid items	117,763
Capital assets, not being depreciated	4,883,915
Capital assets, being depreciated, net	<u>13,433,500</u>
Total assets	<u>42,195,520</u>
<b>Liabilities</b>	
Loan payable	1,500,000
Accounts payable	1,499,254
Accrued payroll and employee benefits	1,146,927
Due to other governments	12,117
Deposits held for others	19,861
Noncurrent liabilities:	
Due within one year	915,373
Due in more than one year	<u>7,454,932</u>
Total liabilities	<u>12,548,464</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	12,793,847
Restricted for:	
Debt service	324,500
Unrestricted	<u>16,528,709</u>
Total net assets	<u>\$ 29,647,056</u>

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

Gila County  
Statement of Activities  
Year Ended June 30, 2004

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<i>Governmental activities</i>					
General government	\$ 15,051,308	\$ 2,140,682	\$ 1,426,829	\$ 410,721	\$ (11,073,076)
Public safety	11,933,654	1,111,100	2,730,648	124,033	(7,967,873)
Highways and streets	5,727,287	76,150	1,016,382	4,220,662	(414,093)
Health	2,156,016	359,618	855,309	-	(941,089)
Welfare	8,743,561	38,728	3,959,418	-	(4,745,415)
Sanitation	900,181	1,957,051	131,168	-	1,188,038
Culture and recreation	1,357,294	7,018	25,184	-	(1,325,092)
Education	1,028,585	-	566,512	-	(462,073)
Interest on long-term debt	307,626	-	-	-	(307,626)
<b>Total governmental activities</b>	<b>\$ 47,205,512</b>	<b>\$ 5,690,347</b>	<b>\$ 10,711,450</b>	<b>\$ 4,755,416</b>	<b>\$ (26,048,299)</b>
General revenues:					
Taxes:					
					15,684,920
					723,530
					10,922
					5,346,822
					4,179,553
					1,534,045
					2,088,740
					550,035
					53,668
					(119,373)
					112,613
					<u>30,165,475</u>
					4,117,176
					<u>25,529,880</u>
					<u>\$ 29,647,056</u>

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

Gila County  
Balance Sheet  
Governmental Funds  
June 30, 2004

	General Fund	Public Works Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 7,988,579	\$ 4,513,648	\$ 5,987,060	\$ 18,489,287
Cash and investments held by trustee	324,500	-	-	324,500
Receivables (net of allowances for uncollectibles):				
Property taxes	483,022	-	23,221	506,243
Accounts	627,999	-	116,727	744,726
Due from:				
Other funds	937,702	-	80,430	1,018,132
Other governments	2,113,901	675,356	906,329	3,695,586
Prepaid items	117,763	-	-	117,763
<b>Total assets</b>	<b><u>\$ 12,593,466</u></b>	<b><u>\$ 5,189,004</u></b>	<b><u>\$ 7,113,767</u></b>	<b><u>\$ 24,896,237</u></b>
<b>Liabilities and Fund Balances</b>				
<i>Liabilities:</i>				
Loan payable	\$ 1,500,000	\$ -	\$ -	\$ 1,500,000
Accounts payable	864,884	259,224	375,146	1,499,254
Accrued payroll and employee benefits	756,033	149,331	241,563	1,146,927
Due to:				
Other funds	-	132,375	885,757	1,018,132
Other governments	-	-	12,117	12,117
Deposits held for others	-	-	19,861	19,861
Deferred revenues	922,239	-	98,348	1,020,587
<b>Total liabilities</b>	<b><u>4,043,156</u></b>	<b><u>540,930</u></b>	<b><u>1,632,792</u></b>	<b><u>6,216,878</u></b>
<i>Fund balances:</i>				
Reserved for:				
Debt service	324,500	-	-	324,500
Unreserved, reported in:				
General fund	8,225,810	-	-	8,225,810
Special revenue funds	-	4,648,074	5,480,975	10,129,049
<b>Total fund balances</b>	<b><u>8,550,310</u></b>	<b><u>4,648,074</u></b>	<b><u>5,480,975</u></b>	<b><u>18,679,359</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 12,593,466</u></b>	<b><u>\$ 5,189,004</u></b>	<b><u>\$ 7,113,767</u></b>	<b><u>\$ 24,896,237</u></b>

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

Gila County  
Reconciliation of the Balance Sheet to the Statement of Net Assets  
Governmental Funds  
June 30, 2004

Fund balances - total governmental funds	\$ 18,679,359
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	18,317,415
Some receivables are not available to pay for current-period expenditures and therefore, are deferred in the funds.	1,020,587
Some liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	<u>(8,370,305)</u>
Net assets of governmental activities	<u>\$ 29,647,056</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, 2004

	General Fund	Public Works Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 17,636,066	\$ 2,711,328	\$ 823,514	\$ 21,170,908
Licenses and permits	321,031	6,892	235,539	563,462
Intergovernmental	9,429,449	4,572,740	9,666,068	23,668,257
Charges for services	3,239,469	69,259	1,009,287	4,318,015
Fines and forfeits	561,189	-	247,681	808,870
Donations and contributions	-	-	204,650	204,650
Investment earning	(26,926)	(38,258)	(54,189)	(119,373)
Miscellaneous	106,248	3,260	3,105	112,613
<b>Total revenues</b>	<u>31,266,526</u>	<u>7,325,221</u>	<u>12,135,655</u>	<u>50,727,402</u>
<b>Expenditures:</b>				
<i>Current:</i>				
General government	13,054,932	-	1,145,879	14,200,811
Public safety	8,463,326	-	3,155,460	11,618,786
Highways and streets	-	5,153,252	-	5,153,252
Health	-	-	1,884,377	1,884,377
Welfare	4,702,359	-	4,041,202	8,743,561
Sanitation	1,156,793	-	118,065	1,274,858
Culture and recreation	327,759	-	1,029,037	1,356,796
Education	478,130	-	549,930	1,028,060
<i>Debt service:</i>				
Principal retirement	755,801	235,331	-	991,132
Interest and fiscal charges	278,459	29,167	-	307,626
<i>Capital outlay</i>	<u>958,085</u>	<u>495,374</u>	<u>2,144,275</u>	<u>3,597,734</u>
<b>Total expenditures</b>	<u>30,175,644</u>	<u>5,913,124</u>	<u>14,068,225</u>	<u>50,156,993</u>
Excess (deficiency) of revenues over expenditures	1,090,882	1,412,097	(1,932,570)	570,409
<b>Other financing sources (uses):</b>				
Capital lease agreements	46,573	143,576	-	190,149
Transfers in	542,804	-	1,101,091	1,643,895
Transfers out	(1,101,091)	(491,116)	(51,688)	(1,643,895)
<b>Total other financing sources (uses)</b>	<u>(511,714)</u>	<u>(347,540)</u>	<u>1,049,403</u>	<u>190,149</u>
Net change in fund balances	579,168	1,064,557	(883,167)	760,558
Restated Fund balances, beginning of year	<u>7,971,142</u>	<u>3,583,517</u>	<u>6,364,142</u>	<u>17,918,801</u>
<b>Fund balances, end of year</b>	<u>\$ 8,550,310</u>	<u>\$ 4,648,074</u>	<u>\$ 5,480,975</u>	<u>\$ 18,679,359</u>

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

Gila County  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balances to the Statement of Activities  
 Governmental Funds  
 Year Ended June 30, 2004

Net change in fund balances - total governmental funds		\$ 760,558
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	\$ 3,597,734	
Depreciation expense	<u>(1,760,989)</u>	
		1,836,745
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
		595,286
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in governmental funds, but repayment reduces long-term liabilities in the Statement of Net Assets.		
Debt issued or incurred	(190,149)	
Principal repaid	<u>991,132</u>	
		800,983
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.		
Increase in compensated absences payable from the prior year	(251,073)	
Decrease in landfill closure and postclosure liabilities	<u>374,677</u>	
		<u>123,604</u>
Change in net assets of governmental activities		<u>\$ 4,117,176</u>

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

Gila County  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2004

	Investment Trust Funds	Agency Funds
<b>Assets</b>		
Cash and investments	\$ 40,645,849	\$ 1,176,849
Other assets	-	73,657
Total assets	40,645,849	\$ 1,250,506
<b>Liabilities</b>		
Due to other governments	-	\$ 191,871
Deposits held for others	-	1,058,635
Total liabilities	-	\$ 1,250,506
<b>Net Assets</b>		
Held in trust for investment trust participants	\$ 40,645,849	

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, 2004

	Investment Trust Funds
Additions:	
Contributions from participants	\$ 82,717,834
Investment earnings	(1,181,452)
Total additions	81,536,382
Deductions:	
Distributions to participants	91,486,788
Change in net assets	(9,950,406)
Net assets, July 1, 2003, as restated	50,596,255
Net assets, June 30, 2004	\$ 40,645,849

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

Gila County  
Notes to Financial Statements  
June 30, 2004

**Note 1 - Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

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

Component units are legally separate entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the County's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the 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 County's residents; the County's Board of Supervisors serves as the board of directors	Blended	Not available
Gila County Street Lighting Districts	Operates and maintains street lighting in areas outside local city jurisdictions; the County's Board of Supervisors serves as the board of directors	Blended	Not available
Gila County Municipal Property Corporation	A nonprofit corporation that assists in the acquisition of tangible real and personal property; exists only to serve the County	Blended	Not available

**Related Organizations**

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

Gila County  
Notes to Financial Statements  
June 30, 2004

**B. Basis of Presentation**

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

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

Gila County  
Notes to Financial Statements  
June 30, 2004

The County reports the following fund types:

The *Investment Trust Funds* account for pooled assets held and invested by the County Treasurer on behalf of the County's departments and 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 state and local governments.

### **C. Basis of Accounting**

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

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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, and landfill closure and postclosure care costs, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

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

### **D. Cash and Investments**

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

**Gila County**  
Notes to Financial Statements  
June 30, 2004

**E. Property Taxes Calendar**

The County levies real 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.

During the year, the County also levies various personal property taxes that are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days later.

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

**F. Capital Assets**

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

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

	<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
Machinery and Equipment	5,000	Straight-line	3-25 years
Vehicles	5,000	Straight-line	5-10 years
Infrastructure	10,000	Straight-line	7-50 years

**G. Investment Earnings**

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

**H. Compensated Absences**

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

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

Gila County  
Notes to Financial Statements  
June 30, 2004

vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

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

**Note 2 – Beginning Balances Restated**

Net assets on the government-wide Statement of Activities as of July 1, 2003, has been restated for corrections of several prior period accounting errors. These prior period adjustments include reclassifications of funds and restatements of capital assets, landfill closure and postclosure care costs payable and accounts receivable balances. Also, fund balances as of July 1, 2003, on the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances have been restated for reclassifications of funds and restatements of the accounts receivable balance.

Government-wide Statements

	<b>Governmental Activities</b>
Net assets as of June 30, 2003, as previously reported	\$ 36,696,790
Corrections of accounting errors reported in the following funds and accounts:	
Reclassified several Gila County School Superintendent's Office funds from Investment Trust Funds to Governmental Funds	538,652
Eliminated outside organizations previously reported in Governmental Funds to Investment Trust Funds	(364,457)
Restated capital assets, net of accumulated depreciation	(11,965,558)
Restated landfill closure and postclosure care costs payable	616,789
Restated accounts receivable, net of allowances for uncollectibles	7,664
Net assets as of July 1, 2003, as restated	<u>\$ 25,529,880</u>

Fund Financial Statements

	General Fund	Public Works Fund	Other Governmental Funds	Investment Trust Funds
Fund balances/net assets as of June 30, 2003, as previously reported	\$ 7,652,043	\$ 3,835,660	\$ 6,249,239	\$ 50,770,450
Accounting errors reported in the following funds and accounts:				
Reclassified numerous nonmajor funds from Other Governmental Funds to General Fund	150,794		(150,794)	
Reclassified several outside organizations from Other Governmental Funds to Investment Trust Funds			(364,457)	364,457

**Gila County**  
**Notes to Financial Statements**  
June 30, 2004

	General Fund	Public Works Fund	Other Governmental Funds	Investment Trust Funds
Reclassified several Gila County School Superintendent's Office Funds from Investment Trust Funds to Other Governmental Funds			538,652	(538,652)
Restated accounts receivable, net of allowances for uncollectibles	168,305	(252,143)	91,502	-
Fund balances/net assets as of July 1, 2003, as restated	<u>\$ 7,971,142</u>	<u>\$ 3,583,517</u>	<u>\$ 6,364,142</u>	<u>\$ 50,596,255</u>

**Note 3 – Individual Fund Deficits**

The following Special Revenue Funds had fund deficits in excess of \$1,000 as of June 30, 2004:

<u>Fund Number</u>	<u>Fund Name</u>	<u>Deficit</u>
140	Improving Teacher Quality State Grants	\$ 1,712
141	Title II Grant	26,401
170	State Grants for Innovative Programs	15,968
185	Drug enforcement - Superior Court	10,951
187	Case Processing Fund	3,318
191	Criminal History Improvement	10,507
212	WIA	5,313
222	CPAF-Drug Court	3,268
239	Health Services Fund	496,051
249	Adult Intensive Probation Services	17,066
251	Community Punishment Program	1,047
254	Diversion – Consequences	5,027
263	Juvenile Drug Court	6,292
271	State Aid Enhancement	36,062
275	Rabies Control	29,888
276	Health Start Program	10,372
319	Emergency Response	6,174
330	Summer Youth Employment	3,015
332	Summer Youth Employment 01-02	1,370
344	Preventive Maintenance District 3	1,867
362	District Two Equipment	4,759
364	Major Maintenance District 3	33,511
380	LEPC	3,127
382	U.S. Department of Justice Equipment	15,199
383	Emergency Services Supplemental	17,033

**Gila County**  
**Notes to Financial Statements**  
**June 30, 2004**

406	Bioterrorism Program	43,784
408	Folic Acid	3,889
421	Nutrition	1,736
448	Commodity Supplement Food Program	12,898
449	Gila County Wellness Program	5,514
456	Narcotics Task Force / Sheriff	78,478
465	Central Heights Street Lighting Improvement District	2,590
561	Library District Grants	3,997
562	Library Assistance	127,626
569	Juvenile Victim's Rights	7,688
574	Adult probation revenue	111,743
577	Crime victim Compensation Program	3,922
583	Juvenile Probation Revenue	5,112
599	Deferred Prosecution Program	70,780

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

**Note 4 – Deposits and Investments**

Arizona Revised Statutes (A.R.S.) authorize the County to invest public monies in the State Treasurer's investment pool; U.S. Treasury obligations; specified state and local government bonds; and interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories. The statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

**County Treasurer's Investment Pool** – A.R.S. require community colleges, school districts, and other local governments to deposit certain public monies with the County Treasurer. Those monies are pooled with County monies for investment purposes.

**Deposits** – At June 30, 2004, the investment pool had cash on hand of \$6,000. The carrying amount of the investment pool's total cash in bank was \$834,447, and the bank balance was \$1,779,775. Of the bank balance, \$164,816 was covered by federal depository insurance and \$1,614,959 was covered by collateral held by the pledging financial institution's trust department or agent in the County's name.

**Investments** – At June 30, 2004, the investments in the County Treasurer's investment pool consisted of U.S. government securities with a fair value of \$57,978,490. The County's investments in U.S. government securities were uninsured and unregistered with the securities held by counterparty, but not in the County's name.

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Notes to Financial Statements  
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**Other Deposits** – At June 30, 2004, the total nonpooled cash on hand was \$1,788. The carrying amount of the County's total nonpooled cash in bank was \$1,491,260, and the bank balance was \$1,660,186. Of the bank balance, \$305,199 was covered by federal depository insurance; \$894,606 was covered by collateral held by the pledging financial institution's trust department or agent in the County's name; and \$460,381 was uninsured and uncollateralized.

**Investments Held By Trustee** – The \$324,500 of investments held by the trustee, consisting of a U.S. government securities money market fund, were uninsured and unregistered with the securities held by the counterparty, but not in the County's name.

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

	County Treasurer's Investment Pool	Other	Total
<b>Cash and investments:</b>			
Cash on hand	\$ 6,000	\$ 1,788	\$ 7,788
Carrying amount of deposits	834,447	1,491,260	2,325,707
Reported amount of investments	57,978,490	324,500	58,302,990
Total cash and investments	\$ 58,818,937	\$ 1,817,548	\$ 60,636,485
<b>Statement of Net Assets:</b>			
	Total Primary Government	Total Fiduciary Funds	Total
Cash and investments	\$ 18,489,287	\$ 41,822,698	\$ 60,311,985
Cash and investments held by trustee	324,500	-	324,500
Total	\$ 18,813,787	\$ 41,822,698	\$ 60,636,485

**Note 5 – Due from Other Governments**

Amounts due from other governments at June 30, 2004, in the Statement of Net Assets include \$959,168 in sales taxes from the State of Arizona; \$562,781 in property taxes due from school districts in Gila County representing property tax allocations made to those school districts in error; \$351,733 in Highway User Revenues from the State of Arizona; \$245,975 from charges for services provided from various governments; \$233,958 in auto lieu taxes from the State of Arizona; \$218,078 in Gila County Transportation tax from the State of Arizona; \$212,665 in County excise tax from the State of Arizona; \$187,528 in Workforce Investment Act grant revenues from the State of Arizona; and \$723,700 in other grants and reimbursements due from various government agencies.

**Gila County**  
Notes to Financial Statements  
June 30, 2004

**Note 6 – Capital Assets**

Capital asset activity for the year ended June 30, 2004, was as follows:

	<u>Balance July 1, 2003 As restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2004</u>
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 4,318,631	\$ -	\$ -	\$ 4,318,631
Construction in progress (estimated cost to complete \$3,949,640)	1,720,103	2,982,502	4,137,321	565,284
<i>Total capital assets not being depreciated</i>	<u>6,038,734</u>	<u>2,982,502</u>	<u>4,137,321</u>	<u>4,883,915</u>
<i>Capital assets being depreciated:</i>				
Buildings	15,376,966	2,230,475	-	17,607,441
Equipment	11,626,948	327,095	-	11,954,043
Vehicles	7,155,549	206,565	296,557	7,065,557
Infrastructure	63,921	1,988,418	-	2,052,339
<i>Total</i>	<u>34,223,384</u>	<u>4,752,553</u>	<u>296,557</u>	<u>38,679,380</u>
Less accumulated depreciation for:				
Buildings	10,673,619	333,333	-	11,006,952
Equipment	7,553,262	857,286	-	8,410,548
Vehicles	5,552,435	501,959	296,557	5,757,837
Infrastructure	2,131	68,412	-	70,543
<i>Total</i>	<u>23,781,447</u>	<u>1,760,990</u>	<u>296,557</u>	<u>25,245,880</u>
<i>Total capital assets being depreciated, net</i>	<u>10,441,937</u>	<u>2,991,563</u>	<u>-</u>	<u>13,433,500</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 16,480,671</u>	<u>\$ 5,974,065</u>	<u>\$ 4,137,321</u>	<u>\$ 18,317,415</u>

*Restatement of Beginning Capital Assets Balances*

The July 1, 2003, governmental activities capital asset balances were restated to correct prior year errors.

	<u>Balance June 30, 2003 as previously reported</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance July 1, 2003 as restated</u>
<b>Governmental activities:</b>				
Land	\$ 4,455,618	\$ -	\$ 136,987	\$ 4,318,631
Construction in progress	2,015,687	-	295,584	1,720,103
Buildings	15,284,018	92,948	-	15,376,966
Equipment	9,118,850	2,508,098	-	11,626,948
Vehicles	9,323,051	-	2,167,502	7,155,549
Infrastructure	12,293,395	-	12,229,474	63,921
Less accumulated depreciation for:				
Buildings	10,579,608	94,011	-	10,673,619
Equipment	6,493,844	1,059,418	-	7,553,262
Vehicles	6,105,954	284,446	837,965	5,552,435
Infrastructure	864,984	-	862,853	2,131
<i>Total</i>	<u>\$ 28,446,229</u>	<u>\$ 1,163,171</u>	<u>\$ 13,128,729</u>	<u>\$ 16,480,671</u>

Infrastructure assets reported included assets for which construction was started or completed during the year ended June 30, 2004. Infrastructure assets that were started or completed prior to July 1, 2002, are not included and will retroactively be added to the County's capital assets listing within the next 3 years.

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Depreciation expense was charged to functions as follows:

<b>Governmental activities:</b>	
General government	\$ 599,424
Public safety	314,868
Highways and streets	574,035
Health	271,639
Culture and recreation	498
Education	525
Total governmental activities depreciation expense	<u>\$ 1,760,989</u>

**Construction Commitments**

The County has active construction projects as of June 30, 2004, with estimated costs to complete of \$3,949,640 of which the more significant of these projects includes the courthouse roof replacement, ice house bridge project, and Six Shooter road project.

**Note 7 – Loan Payable**

The County maintains a revolving line of credit with a \$1,500,000 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, 2005. The interest rate is at the bank's prime rate less 3.35% for fiscal year 2004. As of June 30, 2004, the outstanding balance on this credit line was \$1,500,000.

**Note 8 – Long-Term Liabilities**

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2004:

	<u>Balance July 1, 2003 as restated</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2004</u>	<u>Due Within 1 year</u>
<b>Governmental activities:</b>					
Certificates of participation payable	\$2,585,000	\$ -	\$ 170,000	\$2,415,000	\$180,000
ADOT loan payable	1,237,500	-	61,875	1,175,625	247,500
Capital leases payable	2,502,053	190,149	759,257	1,932,945	487,873
Landfill closure and postclosure care payable	2,118,235	-	374,677	1,743,558	-
Compensated absences payable	<u>852,104</u>	<u>1,235,969</u>	<u>984,896</u>	<u>1,103,177</u>	-
Governmental activities long-term liabilities	<u>\$9,294,892</u>	<u>\$1,426,118</u>	<u>\$2,350,705</u>	<u>\$8,370,305</u>	<u>\$915,373</u>

The July 1, 2003, governmental activities landfill closure and postclosure care costs payable balance was restated from \$2,735,024 to \$2,118,235 to correct a prior year error of \$616,789.

**Certificates of participation** - During the year ended June 30, 2000, the County issued \$3,245,000 in certificates of participation with an interest rate of 6.4 percent to finance renovation costs for a newly-acquired county administration building and

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Notes to Financial Statements  
June 30, 2004

several other County buildings, and to refund the outstanding 1991 Series A certificates of participation. The certificates are generally noncallable, with interest payable semiannually.

Certificates at June 30, 2004, were as follows:

<u>Description</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding Principal July 1, 2003</u>	<u>Issues</u>	<u>Retirements</u>	<u>Outstanding Principal June 30, 2004</u>
Series 1999	6.4%	11/24/04-5/24/14	\$ 2,585,000	\$ -	\$ 170,000	\$ 2,415,000

The following schedule details debt service requirements to maturity for the County's certificates of participation payable at June 30, 2004:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 180,000	\$ 151,680
2006	190,000	140,000
2007	205,000	127,520
2008	215,000	114,400
2009	230,000	100,320
2010-2014	<u>1,395,000</u>	<u>256,960</u>
Total	<u>\$ 2,415,000</u>	<u>\$ 890,880</u>

**ADOT Loan** – On May 27, 2003, the County received a \$1,237,500 loan from the Arizona Department of Transportation (ADOT). The purpose of this loan is to fund the construction improvement of Fossil Creek Road. The loan calls for quarterly payments of principal and interest at 1.428%, beginning on June 15, 2004, and ending on March 15, 2009.

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 247,500	\$ 15,463
2006	247,500	11,928
2007	247,500	8,394
2008	247,500	4,860
2009	185,625	1,325
Total	<u>\$ 1,175,625</u>	<u>\$ 41,970</u>

**Capital leases** - The County has acquired land, vehicles, and construction and computer 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.

**Gila County**  
**Notes to Financial Statements**  
**June 30, 2004**

The assets acquired through capital leases are as follows:

Land	\$ 3,000,000
Equipment	1,283,259
Less: accumulated depreciation	<u>541,328</u>
 Carrying value	 <u>\$ 3,741,931</u>

The following schedule details debt service requirements to maturity for the County's capital leases payable as June 30, 2004:

<b>Year Ending June 30</b>	
2005	\$ 584,973
2006	535,583
2007	454,242
2008	406,678
2009	<u>204,108</u>
 Total minimum lease payments	 2,185,584
Less amount representing interest	<u>252,639</u>
 Present value of net minimum lease payments	 <u>\$ 1,932,945</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 even though actual payouts will not occur until the landfill is closed. These costs will be paid from the General Fund.

The amount recognized each year is based on landfill capacity used at the end of each fiscal year. The \$1,743,558 reported as landfill closure and postclosure care liability at June 30, 2004, represents the cumulative amount reported to date based on the approximate use of 45 percent of the estimated capacity of the Buckhead Mesa Landfill and 36 percent of the Russell Gulch Landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$2,619,330 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 2004.

The County has closed four of its landfills as of June 30, 1996, and expects to close the two remaining landfills in 2010 and 2017. The actual costs may also be higher due to inflation, changes in technology, or changes in regulations.

In order to comply with state and federal laws and regulations, the County obtained a letter of credit on September 22, 1999, to ensure the costs of landfill closure, postclosure, and possible corrective action can be met. As part of the agreement for

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Notes to Financial Statements  
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the line of credit, the County established a mandatory sinking fund with an escrow agent. The sinking fund balance will equal the estimated landfill closure and postclosure care costs when the landfills are expected to close. The County entered this agreement as an alternative to complying with the local government financial test requirements.

**Insurance Claims** – The County provides life, health, and disability benefits to its employees and their dependents through the Arizona Local Government Employee Benefit Trust currently composed of six member counties. The Trust provides the benefits through a self-funding agreement with its participants and administers the program. The County is responsible for paying the premium and 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** – Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During the year ended June 30, 2004, the County paid for compensated absences as follows: 55% from the General Fund, 17% from the Public Works Fund, and 28% from other funds. The County expects to pay approximately \$1.1 million in the following year for compensated absences.

**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 for each occurrence. The County is also responsible for any payments in excess of the maximum coverage of \$100 million per occurrence for property claims and \$10 million per occurrence for liability claims. 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.

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Notes to Financial Statements  
June 30, 2004

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 triennially. Both pools accrue liabilities for losses that have been incurred but not reported. These liabilities are determined annually based on an independent actuarial valuation.

**Note 10 – Retirement Plans**

**Plan Descriptions**

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

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

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

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

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

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Notes to Financial Statements  
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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.

<p>ASRS</p> <p>3300 N. Central Ave. P.O. Box 33910 Phoenix, AZ 85067-3910</p> <p>(602) 240-2000 or (800) 621-3778</p>	<p>PSPRS, CORP and EORP</p> <p>3010 E. Camelback Rd, Suite 200 Phoenix, AZ 85016-4416</p> <p>(602) 255-5575</p>
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**Funding Policy**

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

**Cost-sharing plans** – For the year ended June 30, 2004, active ASRS members and the County were each required by statute to contribute at the actuarially determined rate of 5.7 percent (5.2 percent retirement and 0.5 percent long-term disability) of the members' annual covered payroll. The County's contributions to ASRS for the years ended June 30, 2004, 2003, and 2002 were \$842,910, \$371,057, and \$367,478, respectively, which were equal to the required contributions for the year.

In addition, active EORP members were required by statute to contribute 7 percent of the members' annual covered payroll. The County was required to remit a designated portion of certain court fees plus additional contributions of 0 percent of the member's annual covered payroll, as determined by actuarial valuation. The County's contributions to EORP for the years ended June 30, 2004, 2003, and 2002 were \$56,502, \$219, and \$0, respectively, which were equal to the required contributions for the year.

**Agent Plans** – For the year ended June 30, 2004, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 13.95 percent. Active CORP members were required by statute to contribute 8.5 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 11.54 percent for its corrections officers and 8.28% for its dispatchers.

**Annual Pension Cost** – The County's pension cost for the PSPRS and CORP for the year ended June 30, 2004 and related information follow.

	PSPRS	CORP
Contribution rates:		
County	13.95%	11.54 and 8.28%
Plan members	7.65%	8.5%
Annual pension costs	\$ 163,838	\$ 35,339
Contributions made	\$ 163,838	\$ 35,339

The current-year annual required contribution for the PSPRS and CORP was determined as a part of its June 30, 2002, actuarial valuation using the entry-age actuarial cost method. The actuarial assumptions included (a) 9 percent investment

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Notes to Financial Statements  
June 30, 2004

rate of return and (b) projected salary increases ranging from 6.5 percent to 9.5 percent per year. Both (a) and (b) included an inflation component of 5.5 percent. The assumptions did not include cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2002, was 20 years.

**Trend Information** – Annual pension cost information for the current and two preceding years follows for the PSPRS plan, and the current period only for the CORP plan as the fiscal year ended June 30, 2004 was the County's initial year in the plan.

Plan	Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PSPRS	2004	\$ 163,838	100%	\$ -
	2003	69,888	100	-
	2002	103,449	100	-
CORP	2004	35,339	100	-

**Note 11 – Interfund Balances and Activity**

**Interfund receivables and payables** – Interfund balances at June 30, 2004, were as follows:

Payable From	Payable To		
	General Fund	Nonmajor Governmental Funds	Total
Public Works Fund	\$ 51,945	\$ 80,430	\$ 132,375
Nonmajor Governmental Funds	885,757	-	885,757
Total	<u>\$ 937,702</u>	<u>\$ 80,430</u>	<u>\$ 1,018,132</u>

The interfund balances resulted from time lags between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances are expected to be paid in one year.

**Interfund transfers** – Interfund transfers for the year ended June 30, 2004, were as follows:

Transfer From	Transfers To		
	General Fund	Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ 1,101,091	\$ 1,101,091
Public Works Fund	491,116	-	491,116
Nonmajor Governmental Funds	51,688	-	51,688
Total	<u>\$ 542,804</u>	<u>\$ 1,101,091</u>	<u>\$ 1,643,895</u>

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Notes to Financial Statements  
June 30, 2004

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

**Note 12 – 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 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.

Details of each investment classification follow:

<u>Investment Type</u>	<u>Principal</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Fair Value</u>
U.S. government securities	\$ 59,167,449	2.0-5.47%	5/30/06-3/10/09	\$ 57,978,490

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

**Statement of Net Assets**

Assets	\$ 58,818,937
Liabilities	-
Net assets	<u>\$ 58,818,937</u>

Net assets held in trust for:

Internal participants	\$ 18,173,088
External participants	40,645,849
Total net assets held in trust	<u>\$ 58,818,937</u>

**Statement of Changes in Net Assets**

Total additions	\$ 143,159,191
Total deductions	151,756,455
Net decrease	<u>(8,597,264)</u>

Net assets held in trust

July 1, 2003	67,416,201
June 30, 2004	<u>\$ 58,818,937</u>

**Other Required Supplementary Information**

Gila County  
 Required Supplementary Information  
 Schedule of Agent Retirement Plans' Funding Progress  
 June 30, 2004

**Public Safety Personnel Retirement System**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ((a-b)/c)
6/30/2004	\$ 5,960,067	\$ 6,541,881	\$ (581,814)	91.1%	\$ 1,606,149	36.2%
6/30/2003	5,976,762	5,757,851	218,911	103.8%	1,457,818	N/A
6/30/2002	5,702,845	5,244,701	458,144	108.7%	1,364,567	N/A

**Correction Officers Retirement Plans**

Corrections officers

6/30/2004	70,617	709,363	(638,746)	10.0%	1,290,104	49.5%
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Dispatchers

6/30/2004	32,804	686,994	(654,190)	4.8%	482,740	135.5%
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Note: The fiscal year ended June 30, 2004, was the County's initial year in the Correction Officers Retirement Plans.

Gila County  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 General Fund  
 Year Ended June 30, 2004

	Original/ Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
<b>Revenues:</b>			
Taxes	\$ 17,611,892	\$ 17,636,066	\$ 24,174
Licenses and permits	358,500	321,031	(37,469)
Intergovernmental	9,407,019	9,429,449	22,430
Charges for services	2,991,176	3,239,469	248,293
Fines and forfeits	627,500	561,189	(66,311)
Investment earnings	135,000	(26,926)	(161,926)
Miscellaneous	591,417	106,248	(485,169)
Total revenues	<u>31,722,504</u>	<u>31,266,526</u>	<u>(455,978)</u>
<b>Expenditures:</b>			
<i>Current:</i>			
General government			
Administrative Services	96,624	88,998	7,626
Assessor	692,654	684,218	8,436
Auctions	-	30,686	(30,686)
Board of Supervisors	646,246	627,396	18,850
Community Development	551,626	546,049	5,577
Computer Services	612,095	635,787	(23,692)
Constituent Services	300,000	347,312	(47,312)
Elections	191,196	206,522	(15,326)
Facilities Management	1,031,269	942,930	88,339
Finance	444,123	382,655	61,468
General Administration	718,162	465,479	252,683
Payroll Costs	260,000	241,300	18,700
Personnel	159,623	159,163	460
Professional Services	376,000	408,380	(32,380)
Purchasing	86,597	89,189	(2,592)
Recorder	430,064	470,842	(40,778)
Rural Addressing	63,446	77,686	(14,240)
Treasurer	387,056	413,356	(26,300)
Judicial Services			
County Attorney	1,855,004	1,590,740	264,264
County Attorney - Child Support	591,984	575,102	16,882

(continued)

See accompanying notes to budgetary comparison schedule.

Gila County  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 General Fund  
 Year Ended June 30, 2004

	Original/ Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
General government - continued			
Constable - Globe	\$ 68,814	\$ 65,603	\$ 3,211
Constable - Payson	88,283	113,602	(25,319)
Justice Court - Globe	468,365	431,171	37,194
Justice Court - Payson	382,285	363,887	18,398
Indigent Legal Defense	1,002,326	936,030	66,296
Clerk of the Superior Court	839,284	888,762	(49,478)
Superior Court - Division I	197,620	192,700	4,920
Superior Court - Division II	182,754	180,040	2,714
Superior Court - General	628,389	601,377	27,012
Superior Court - Multi-Information Systems	<u>235,678</u>	<u>297,970</u>	<u>(62,292)</u>
Total general government	<u>13,587,567</u>	<u>13,054,932</u>	<u>532,635</u>
Public safety			
County Sheriff	4,752,410	5,547,045	(794,635)
County Sheriff - Detention Health Services	452,314	423,074	29,240
County Sheriff - Facilities Management	295,579	242,974	52,605
Emergency Services	238,998	275,193	(36,195)
Flood Plain Management	26,304	30,851	(4,547)
Juvenile Detention	894,337	935,440	(41,103)
Probation	744,613	730,895	13,718
9-1-1	<u>302,528</u>	<u>277,854</u>	<u>24,674</u>
Total public safety	<u>7,707,083</u>	<u>8,463,326</u>	<u>(756,243)</u>
Welfare			
AHCCCS Contributions	4,344,773	4,202,160	142,613
Indigent Health	75,000	23,780	51,220
Community agencies	201,650	209,957	(8,307)
Public Fiduciary	<u>217,946</u>	<u>266,462</u>	<u>(48,516)</u>
Total welfare	<u>4,839,369</u>	<u>4,702,359</u>	<u>137,010</u>

(continued)

See accompanying notes to budgetary comparison schedule.

Gila County  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 General Fund  
 Year Ended June 30, 2004

	Original/ Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Sanitation			
Solid Waste Management	\$ 2,570,176	\$ 1,156,793	\$ 1,413,383
Culture and recreation			
Fairgrounds	166,442	327,759	(161,317)
Education			
School Superintendent	227,304	238,936	(11,632)
Special School Reserve	-	15,300	(15,300)
Out-of-County Community College Tuition	-	223,894	(223,894)
Total education	227,304	478,130	(250,826)
Capital outlay	2,483,087	911,512	1,571,575
Debt service:			
Principal retirement	-	755,801	(755,801)
Interest and fiscal charges	-	278,459	(278,459)
Total debt service	-	1,034,260	(1,034,260)
Total expenditures	31,581,028	30,129,071	1,451,957
Excess of revenues over expenditures	141,476	1,137,455	995,979
Other financing sources (uses)			
Transfers in	1,980,674	542,804	(1,437,870)
Transfers out	(3,251,243)	(1,101,091)	2,150,152
Total other financing sources and uses	(1,270,569)	(558,287)	712,282
Net change in fund balances	(1,129,093)	579,168	1,708,261
Fund balances, beginning of year, as restated	1,129,093	7,971,142	6,842,049
Fund balances, end of year	\$ -	\$ 8,550,310	\$ 8,550,310

See accompanying notes to budgetary comparison schedule.

Gila County  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 Public Works Fund  
 Year Ended June 30, 2004

	Original/ Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
<b>Revenues:</b>			
Taxes	\$ 2,675,887	\$ 2,711,328	\$ 35,441
Licenses and permits	12,000	6,892	(5,108)
Intergovernmental	7,550,419	4,572,740	(2,977,679)
Charges for services	-	69,259	69,259
Investment earnings	95,000	(38,258)	(133,258)
Miscellaneous	15,000	3,260	(11,740)
Total revenues	<u>10,348,306</u>	<u>7,325,221</u>	<u>(3,023,085)</u>
<b>Expenditures:</b>			
<i>Current:</i>			
Highways and streets			
Administrative services	575,053	527,693	47,360
Engineering services	1,074,036	969,630	104,406
Road maintenance and repair	3,081,016	2,798,235	282,781
Maintenance shops	881,179	857,694	23,485
Emergency Reserve	4,115,463	-	4,115,463
Total highways and streets	<u>9,726,747</u>	<u>5,153,252</u>	<u>4,573,495</u>
<i>Capital outlay</i>	<u>3,610,486</u>	<u>351,798</u>	<u>3,258,688</u>
<i>Debt service</i>			
Principal retirement	-	235,331	(235,331)
Interest and fiscal charges	-	29,167	(29,167)
Total debt service	<u>-</u>	<u>264,498</u>	<u>(264,498)</u>
Total expenditures	<u>13,337,233</u>	<u>5,769,548</u>	<u>7,567,685</u>
Excess (deficiency) of revenues over expenditures	(2,988,927)	1,555,673	4,544,600
<b>Other financing uses:</b>			
Transfers out	(415,000)	(491,116)	(76,116)
Total other financing uses	<u>(415,000)</u>	<u>(491,116)</u>	<u>(76,116)</u>
Net change in fund balances	<u>(3,403,927)</u>	<u>1,064,557</u>	<u>4,468,484</u>
Fund balances, beginning of year, as restated	<u>3,403,927</u>	<u>3,583,517</u>	<u>179,590</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 4,648,074</u>	<u>\$ 4,648,074</u>

See accompanying notes to budgetary comparison schedule.

**Gila County**  
**Required Supplementary Information**  
**Notes to Budgetary Comparison Schedules**  
**Year Ended June 30, 2004**

**Note 1 - Budgeting and Budgetary Control**

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

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

**Note 2 – Budgetary Basis of Accounting**

The County's adopted budget is prepared on a basis consistent with generally accepted accounting principles, with the following exception. The County does not budget for either the other financing sources or the capital outlays associated with the acquisition of assets under capital lease agreements. Consequently, the following adjustments are necessary to present actual expenditures and other financing sources on a budgetary basis for the year ended June 30, 2004, in order to provide a meaningful comparison.

	<b>General Fund</b>		<b>Public Works Fund</b>	
	<b><u>Total</u></b>	<b><u>Total Other</u></b>	<b><u>Total</u></b>	<b><u>Total Other</u></b>
	<b><u>Expenditures</u></b>	<b><u>Financing</u></b>	<b><u>Expenditures</u></b>	<b><u>Financing</u></b>
		<b><u>Sources (Uses)</u></b>		<b><u>Sources (Uses)</u></b>
Amounts from the Statement of Revenues, Expenditures, and Changes in Fund Balances	\$ 30,175,644	\$ (511,714)	\$ 5,913,124	\$ (347,540)
Capital outlays and financing sources for assets acquired by capital lease agreements, not budgeted	<u>(46,573)</u>	<u>(46,573)</u>	<u>(143,576)</u>	<u>(143,576)</u>
Amounts from the budgetary comparison schedules	<u>\$ 30,129,071</u>	<u>\$ (558,287)</u>	<u>\$ 5,769,548</u>	<u>\$ (491,116)</u>

**Gila County**  
**Required Supplementary Information**  
**Notes to Budgetary Comparison Schedules**  
**Year Ended June 30, 2004**

**Note 3 – Expenditures in Excess of Appropriations**

For the year ended June 30, 2004, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

<u>Fund/Department</u>	<u>Excess</u>
<b>General Fund:</b>	
Auctions	\$ 30,686
Computer Services	23,692
Constituent Services	47,312
Elections	15,326
Professional Services	32,380
Purchasing	2,592
Recorder	40,778
Rural Addressing	14,240
Treasurer	26,300
Constable – Payson	25,319
Clerk of the Superior Court	49,478
Superior Court - Multi-information systems	62,292
County sheriff	794,635
Emergency services	36,195
Flood plain management	4,547
Juvenile detention	41,103
Community Agencies	8,307
Public fiduciary	48,516
Fairgrounds	161,317
School superintendent	11,632
Special School Reserve	15,300
Out of County Community College Tuition	223,894
Principal retirement	755,801
Interest and fiscal charges	278,459
<b>Public Works Fund:</b>	
Principal retirement	235,331
Interest and fiscal charges	29,167

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

## Supplementary Information

Gila County  
 Supplementary Information  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2004

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<b>U.S. Department of Agriculture</b>			
<b>Passed through the Arizona Department of Health Services</b>			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	HG361075	\$ 119,433
Commodity Supplemental Food Program	10.565	HG361101	3,781
<b>Passed through the Arizona State Treasurer</b>			
Schools and Roads – Grants to States	10.665	None	<u>43,716</u>
Total U.S. Department of Agriculture			<u>166,930</u>
<b>U.S. Department of Housing and Urban Development</b>			
Section 8 Housing Choice Vouchers	14.871		275,254
<b>Passed through the Arizona Department of Commerce</b>			
Community Development Block Grants/State's Program	14.228	105-04,131,03, 030-02H	262,368
<b>Passed through the Arizona Department of Economic Security</b>			
Emergency Shelter Grants Program	14.231	E6301005	<u>23,176</u>
Total U.S. Department of Housing and Urban Development			<u>560,798</u>
<b>U.S. Department of the Interior</b>			
Payments in Lieu of Taxes	15.226		<u>300,000</u>
Total U.S. Department of the Interior			<u>300,000</u>
<b>U.S. Department of Justice</b>			
Community Prosecution and Project Safe Neighborhoods	16.609		10,869
<b>Passed through the Arizona Department of Emergency Services and Military Affairs</b>			
State Domestic Preparedness Equipment Support Program	16.007	2002-TE-CX-0142	3,840
<b>Passed through the Arizona Office of the Governor</b>			
Juvenile Accountability Incentive Block Grants	16.523	JB-GRA-02-4182-04	6,762
<b>Passed through the Arizona Supreme Court</b>			
Juvenile Accountability Incentive Block Grants	16.523	JB-GRA-03-5273-04	12,174
Total Juvenile Accountability Incentive Block Grants			<u>18,936</u>
<b>Passed through the Arizona Criminal Justice Commission</b>			
Crime Victim Compensation	16.576	VC-04-052	4,523
Byrne Formula Grant Program	16.579	AC-110-04/PC-080-04	<u>301,598</u>
Total U.S. Department of Justice			<u>339,766</u>

(Continued)

See accompanying notes to schedules.

Gila County  
 Supplementary Information  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2004

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<b>U.S. Department of Labor</b>			
<b>Pass-through the Arizona Department of Economic Security</b>			
Workforce Investment Act Cluster:			
Workforce Investment Act	17.255	E5702004	349,126
WIA Adult Program	17.258	E5703004, E5704004	887,236
WIA Youth Activities	17.259	E5703004, E5704004	499,014
WIA Dislocated Workers	17.260	E5703004, E7504004	<u>693,481</u>
Total U.S. Department of Labor			<u>2,428,857</u>
<b>U.S. Department of Transportation</b>			
<b>Passed through the Arizona Department of Emergency Services and Military Affairs</b>			
Interagency Hazardous Materials Public Sector Training and Planning Grant	20.703	None	<u>2,349</u>
Total U.S. Department of Transportation			<u>2,349</u>
<b>U.S. General Services Administration</b>			
<b>Passed through the Arizona Secretary of State's Office</b>			
Election Reform Payments	39.011	None	<u>410,721</u>
Total U.S. General Services Administration			<u>410,721</u>
<b>U.S. Department of Energy</b>			
<b>Passed through the Arizona Department of Commerce</b>			
Weatherization Assistance for Low-Income Persons	81.042	064-03	<u>88,212</u>
Total U.S. Department of Energy			<u>88,212</u>
<b>U.S. Federal Emergency Management Agency</b>			
Emergency Food and Shelter National Board Program	83.523		<u>5,119</u>
Total U.S. Federal Emergency Management Agency			<u>5,119</u>

(Continued)

See accompanying notes to schedules.

Gila County  
 Supplementary Information  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2004

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<b>U.S. Department of Education</b>			
<b>Passed through the Arizona Department of Education</b>			
Special Education – Grants to States	84.027	H027A02007	19,212
State Grants for Innovative Program	84.298	S298A020003	82,547
Reading First State Grants	84.357	S357A020003	22,063
<b>Passed through the Arizona Department of Education</b>			
Improving Teacher Quality State Grants	84.367	S367A30049	73,091
<b>Passed through the Arizona Supreme Court</b>			
Improving Teacher Quality State Grants	84.367	S367A30049	7,218
Total Improving Teacher Quality State Grants			80,309
<b>Passed through the Arizona Supreme Court</b>			
Title I Program for Neglected and Delinquent Children	84.013	IGA-28206	21,578
<b>U.S. Department of Education</b>			
<b>Passed through the Arizona Department of Economic Security</b>			
Rehabilitation Services – Vocational Rehabilitation Grants to States	84.126	E5344530	20,823
Supported Employment Services for Individuals with Severe Disabilities	84.187	E5311526, E5314513, E313521	95,919
Total U.S. Department of Education			342,451
<b>U.S. Department of Health and Human Services</b>			
<b>Passed through the Arizona Department of Health Services</b>			
Immunization Grants	93.268	HG352192	28,151
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283	252042	283,768
HIV Prevention Activities – Health Department Based	93.940	HG352240	6,245
Preventive Health and Health Services Block Grant	93.991	HG354179	46,939
Maternal and Child Health Services Block Grant to States	93.994	961123	5,025
<b>Passed through the Arizona Department of Economic Security</b>			
Temporary Assistance for Needy Families	93.558	E6301005	115,727
Child Support Enforcement	93.563	E7203007, E7204007	689,202
Low-Income Home Energy Assistance	93.568	E6301005	81,143
Community Services Block Grant	93.569	E6301005	98,848
Basic Center Grant	93.623	E4370232	8,696
Developmental Disabilities Basic Support and Advocacy Grant	93.630	E5318042	90,522
Social Services Block Grant	93.667	E6301005	12,985
Total U.S. Department of Health and Human Services			1,467,251

(Continued)

See accompanying notes to schedules.

Gila County  
 Supplementary Information  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2004

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<b>U.S. Department of Homeland Security</b>			
<b>Passed through the Arizona Department of Emergency Services and Military Affairs</b>			
Citizens Corps	83.564	None	4,777
State Domestic Preparedness Equipment Support Programs	97.004	2003-TE-TX-0196 2003-MU-T3-0034	124,033
Emergency Management Performance Grants	97.042	SLA-04	54,601
State and Local All Hazards Emergency Operations Planning Citizens Corps	97.051	2002-TE-CX-0142	47,979
Citizens Corps	97.053	None	5,062
Total U.S. Department of Homeland Security			<u>236,452</u>
Total Expenditures of Federal Awards			<u>\$ 6,348,906</u>

See accompanying notes to schedules.

Gila County  
Supplementary Information  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2004

**Note 1 - Basis of Accounting**

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

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

The program titles and CFDA numbers were obtained from the *2004 Catalog of Federal Domestic Assistance*.

**Note 3 - Subrecipients**

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Paid to Subrecipient</u>
Workforce Investment Act - Adult and Youth Programs	17.258, 17.259 & 17.260	\$ 861,741

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

The Auditor General of the State of Arizona

The Board of Supervisors of  
Gila County, Arizona

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Gila County as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 18, 2007 which was modified due to the County not presenting the Management Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item **04-1** through **04-17**.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all

reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above we consider items **04-14** through **04-17** to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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



September 18, 2007

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

The Auditor General of the State of Arizona

The Board of Supervisors of  
Gila County, Arizona

**Compliance**

We have audited the compliance of Gila County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Gila County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items **04-18** through **04-24**.

## Internal Control over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items **04-18** through **04-24**.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

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



September 18, 2007

Gila County  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2004

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	<b>Unqualified</b>	
	YES	NO
Material weaknesses identified in internal control over financing reporting?	X	_____
Reportable conditions identified not considered to be a material weakness?	X	_____
Noncompliance material to the financial statements noted?	_____	X

**Federal Awards**

Material weakness identified in internal control over major programs?	_____	X
Reportable conditions identified not considered to be material weaknesses?	X	_____

Type of auditor's report issued on compliance for major programs:	<b>Unqualified</b>	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	X	_____

Identification of major programs:

- 15.226            Payments in Lieu of Taxes
- 16.579            Byrne formula Grant Program
- Workforce Investment Act Cluster
- 17.255        Workforce Investment Act
- 17.258        WIA Adult Program
- 17.259        WIA Youth Activities
- 17.260        WIA Dislocated Workers
- 39.011            Election Reform Payments
- 93.563            Child Support Enforcement

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	X

**Other Matters**

Auditee's summary schedule of prior audit findings required to be reported in accordance with Circular A-133 (Section .315[b])?	X	_____
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Gila County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2004

**Financial Statement Findings**

**Item: 04-1**

*Subject:* Segregation of Duties -Payroll

*Criteria:* The payroll and personnel functions should be separate.

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

*Cause:* Personnel changes to payroll records are not reviewed.

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

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

**Item: 04-2**

*Subject:* Segregation of Duties - Payroll

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

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

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

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

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

**Item: 04-3**

*Subject:* Cash

**Gila County**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2004

*Criteria:* Checks that have not been presented for payment within one year of issuance are void and are deemed to have been paid.

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

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

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

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

**Item: 04-4**

*Subject:* Cash Disbursements - Finance

*Criteria:* The object code charged should identify the type of expenditure.

*Condition:* Two out of forty invoices were charged to object codes that did not properly identify the item purchased.

*Cause:* Procedures are not in place for employees to review the charges to ensure that the proper object codes are assigned to the purchases.

*Effect:* Financial transactions are not accurately reflected in the accounting records and reported to management and external parties in a consistent manner.

*Recommendation:* To help ensure that purchases are charged to correct object codes, the object codes on requisitions should be compared to the item or service being purchased.

**Item: 04-5**

*Subject:* Cash Disbursements - Finance

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

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

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

**Gila County**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2004

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

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

**Item: 04-6**

*Subject:* Cash Disbursements – School Superintendent's Office

*Criteria:* The blank warrant and facsimile signature plate custody function should be segregated from the authorization and record keeping functions.

*Condition:* All accounting personnel have unrestricted access to blank warrants and facsimile signature plates.

*Cause:* The County has not adopted policies and procedures for segregating these functions

*Effect:* The ability of all accounting staff to have unrestricted access to blank warrants and signature plate increases the risk of an unauthorized warrant being processed.

*Recommendation:* The County should adopt policies and procedures that require blank warrants and facsimile signature machines to be maintained in a secure manner.

**Item: 04-7**

*Subject:* Cash Disbursements – School Superintendent's Office

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

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

*Cause:* Policies and procedures have not been established.

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

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

**Item: 04-8**

*Subject:* Cash Disbursements – School Superintendent's Office

Gila County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2004

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

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

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

*Effect:* Invoices could be resubmitted for duplicate payment.

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

**Item: 04-9**

*Subject:* Procurement

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

1. For purchases costing at least \$5,000 but less than \$15,000, at least three oral price quotations should be obtained.
2. For purchases costing at least \$15,000 but less than \$25,000, at least three written quotations should be obtained.
3. For purchases in excess of \$25,000, request for bids must be performed.

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

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

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

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

**Item: 04-10**

*Subject:* Capital Assets

*Criteria:* The County's capitalization policy requires that long-lived assets with value in excess of \$5,000 or more should be included on the County's capital assets listing.

*Condition:* Computers equipment and software were not included in the County's capital assets list.

*Cause:* County departments are not following the County capitalization policy and a proper review of invoices by department supervisors and accounts payable is not being performed.

**Gila County**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2004

*Effect:* The County's assets are not being properly safeguarded.

*Recommendation:* The County should review their capitalization policies with all departments and establish procedures that enforce the County's policies.

**Item: 04-11**

*Subject:* Capital Assets

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

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

*Cause:* Procedures are not in place to ensure that a physical inventory is performed as required.

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

*Recommendation:* The County should adopt policies and procedures that schedule physical inventories in a timely manner.

**Item: 04-12**

*Subject:* Capital Assets

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

*Condition:* The County has two separate capital assets list, one is for items purchased with capital leases and the other is for all other purchases that meet the County's capitalization thresholds.

*Cause:* The County maintains a separate list for Item purchased with capital leases.

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

*Recommendation:* The County should adopt policies and procedures that require all Items that meet the County's capitalization thresholds to be maintained in one comprehensive list.

**Item: 04-13**

*Subject:* Capital Assets

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

Gila County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2004

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

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

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

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

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

**Item: 04-14** (Repeat Finding)

*Subject:* General Ledger

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

*Condition:* Interfund payables and receivables are not reconciled.

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

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

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

**Item: 04-15** (Repeat Finding)

*Subject:* General Ledger

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

Gila County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2004

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

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

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

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

**Item: 04-16** (Repeat Finding)

*Subject:* General Ledger

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

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

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

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

*Recommendation:* The County should restructure their chart of accounts.

**Item: 04-17**

*Subject:* Financial and Accounting Reporting

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

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

**Gila County**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2004

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

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

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

**Gila County**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2004

**Federal Award Findings and Questioned Costs**

**Item: 04-18**

*CFDA Number:* 16.579, 93.563

*Program:* Byrne Formula Grant Program, Child Support Enforcement

*Agency:* U.S. Department of Justice, U.S. Department of Health and Human Services

*Award Year:* 7/1/03-6/30/04, 10/1/03-9/30/04

*Award Number:* AC-110-04/PC-080-04, E7203007, E7204007

*Question Costs:* N/A

*Criteria:* Required reports must be submitted within time period specified in the grant or contract.

*Condition:* Controls are not in place to ensure that all required financial reports are submitted to the grantor by their required due date.

*Cause:* Supporting documentation for preparation of reports were not provided by other departments on a timely basis.

*Effect:* The County or grant administrator is not in compliance with the requirements of the grant.

*Recommendation:* To comply with grant reporting requirements, a system to track reporting data should be established to ensure that expenditure reports are submitted by the required due dates.

**Item: 04-19**

*CFDA Number:* 16.579, 17.255, 17.258, 17.259, 17.260, 93.563

*Program:* Byrne Formula Grant Program, Workforce Investment Act Cluster, Child Support Enforcement

*Agency:* U.S. Department of Justice, U. S. Department of Labor, U.S. Department of Health and Human Services

*Award Year:* 7/1/03-6/30/04, 7/1/03-6/30/04, 10/1/03-9/30/04

*Award Number:* AC-110-04/PC-080-04, various, E7203007, E7204007

**Gila County**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2004

*Question Costs:* N/A

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

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

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

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

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

**Item: 04-20**

*CFDA Number:* 39.011

*Program:* Election Reform Payments

*Agency:* U.S. General Services Administration

*Award Year:* 9/30/03-10/1/04

*Award Number:* None

*Question Costs:* N/A

*Criteria:* The County's capitalization policy requires that long-lived assets with value in excess of \$5,000 or more should be included on the County's capital assets listing.

*Condition:* Equipment purchased for the program was not included in the County's capital assets list.

*Cause:* County departments are not following the County capitalization policy and a proper review of invoices by department supervisors and accounts payable is not being performed.

*Effect:* The County's assets are not being properly safeguarded.

*Recommendation:* The County should review their capitalization policies with all departments and establish procedures that enforce the County's policies.

**Gila County**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2004

**Item: 04-21**

*CFDA Number:* 93.563

*Program:* Child Support Enforcement

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

*Award Year:* 10/1/03-9/30/04

*Award Number:* E7203007, E7204007

*Question Costs:* N/A

*Criteria:* The OMB Common Rule requires grantees to maintain records that adequately identify the source and application of funds provided for financially assisted activities.

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

*Cause:* Inadequate chart of accounts structure.

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

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

**Item: 04-22**

*CFDA Number:* 17.255, 17.258, 17.259, 17.260

*Program:* Workforce Investment Act Cluster

*Agency:* U. S. Department of Labor

*Award Year:* 7/1/03-6/30/04

*Award Number:* Various

*Question Costs:* N/A

*Criteria:* The participant's case files should contain all required eligibility documentation as prescribed by the federal compliance supplement.

**Gila County**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2004

*Condition:* Eight out of twelve participant's case files tested, did not contain documentation that the participant was unable to obtain funding for training from other sources.

*Cause:* The case workers did not request the documentation from participants showing that they were not eligible for other types of funding for their training.

*Effect:* Ineligible participants might receive training.

*Recommendation:* The program should implement internal control procedures that require compliance with program requirements.

**Item: 04-23**

*CFDA Number:* 17.255, 17.258, 17.259, 17.260

*Program:* Workforce Investment Act Cluster

*Agency:* U. S. Department of Labor

*Award Year:* 7/1/03-6/30/04

*Award Number:* various

*Question Costs:* N/A

*Criteria:* Subrecipients that expend \$500,000 or more in federal awards are required to have a single audit in accordance with OMB Circular A-133.

*Condition:* The County's subrecipient did not have a single audit performed.

*Cause:* The County did not question why a financial but not a single audit was performed.

*Effect:* The County is not in compliance with OMB Circular A-133.

*Recommendation:* The County should implement procedures that require proper monitoring of their subrecipients to ensure that all compliance requirements are met.

**Item: 04-24**

*CFDA Number:* 15.226, 16.579, 17.255, 17.258, 17.259, 17.260, 39.011, 93.563

*Program:* Payments in Lieu of Taxes, Byrne Formula Grant Program, Workforce Investment Act Cluster, Election Reform Payments, and Child Support Enforcement

**Gila County**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2004

*Agency:* U. S. Department of Interior, U. S. Department of Justice, U. S. Department of Labor, U. S. General Services Administration, U.S. Department of Health and Human Services

*Award Year:* various

*Award Number:* various

*Question Costs:* N/A

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

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

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

*Effect:* The County could lose federal funding.

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

## County Responses

Gila County  
Corrective Action Plan  
Year Ended June 30, 2004

**Financial Statement Findings**

***Item: 04-1***

*Subject:* Segregation of Duties -Payroll

*Contact Person:* Richard Gaona, Finance Director

*Anticipated Completion Date:* June 30, 2008

*Corrective Action:* The County is currently reviewing payroll and personnel procedures to determine the best way to implement the recommendation.

***Item: 04-2***

*Subject:* Segregation of Duties - Payroll

*Contact Person:* Richard Gaona, Finance Director

*Anticipated Completion Date:* June 30, 2008

*Corrective Action:* The County is currently reviewing payroll procedures to determine the best way to implement the recommendation.

***Item: 04-3***

*Subject:* Cash

*Contact Person:* Richard Gaona, Finance Director

*Anticipated Completion Date:* August 1, 2005

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

***Item: 04-4***

*Subject:* Cash Disbursements - Finance

*Contact Person:* Richard Gaona, Finance Director

*Anticipated Completion Date:* March 1, 2005

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

**Gila County**  
Corrective Action Plan  
Year Ended June 30, 2004

**Item: 04-5**

*Subject:* Cash Disbursements - Finance

*Contact Person:* Richard Gaona, Finance Director

*Anticipated Completion Date:* July 1, 2007

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

**Item: 04-6**

*Subject:* Cash Disbursements – School Superintendent's Office

*Contact Person:* Debra Moya, Deputy Superintendent

*Anticipated Completion Date:* September 30, 2007

*Corrective Action:* A secure signature system is now in place due to the use of new software. An employee, separate from processing vouchers, has been assigned as custodian of blank warrants.

**Item: 04-7**

*Subject:* Cash Disbursements – School Superintendent's Office

*Contact Person:* Debra Moya, Deputy Superintendent

*Anticipated Completion Date:* September 30, 2007

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

**Item: 04-8**

*Subject:* Cash Disbursements – School Superintendent's Office

*Contact Person:* Debra Moya, Deputy Superintendent

*Anticipated Completion Date:* September 30, 2007

*Corrective Action:* Invoices are now properly cancelled.

**Gila County**  
Corrective Action Plan  
Year Ended June 30, 2004

**Item: 04-9**

*Subject:* Procurement

*Contact Person:* Richard Gaona, Finance Director

*Anticipated Completion Date:* October 1, 2005

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

**Item: 04-10**

*Subject:* Capital Assets

*Contact Person:* Richard Gaona, Finance Director

*Anticipated Completion Date:* October 1, 2005

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

**Item: 04-11**

*Subject:* Capital Assets

*Contact Person:* Richard Gaona, Finance Director

*Anticipated Completion Date:* July 1, 2006

*Corrective Action:* Inventories will be performed as required.

**Item: 04-12**

*Subject:* Capital Assets

*Contact Person:* Richard Gaona, Finance Director

*Anticipated Completion Date:* July 1, 2008

*Corrective Action:* The capital assets list will be combined.

**Item: 04-13**

*Subject:* Capital Assets

*Contact Person:* Richard Gaona, Finance Director

Gila County  
Corrective Action Plan  
Year Ended June 30, 2004

*Anticipated Completion Date:* July 1, 2008

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

**Item: 04-14** (Repeat Finding)

*Subject:* General Ledger

*Contact Person:* Richard Gaona, Finance Director

*Anticipated Completion Date:* March 31, 2008

*Corrective Action:* The County agrees with the recommendation and is in the process of determining the best way to properly implement.

**Item: 04-15** (Repeat Finding)

*Subject:* General Ledger

*Contact Person:* Richard Gaona, Finance Director

*Anticipated Completion Date:* March 31, 2008

*Corrective Action:* The County agrees with the recommendation and is in the process of determining the best way to properly implement.

**Item: 04-16** (Repeat Finding)

*Subject:* General Ledger

*Contact Person:* Richard Gaona, Finance Director

*Anticipated Completion Date:* March 31, 2008

*Corrective Action:* The County agrees with the recommendation and is in the process of determining the best way to properly implement.

**Item: 04-17**

*Subject:* Financial and Accounting Reporting

*Contact Person:* Richard Gaona, Finance Director

*Anticipated Completion Date:* June 30, 2008

**Gila County**  
Corrective Action Plan  
Year Ended June 30, 2004

*Corrective Action:* The County agrees with the recommendation and is in the process of determining the best way to properly implement.

Gila County  
Corrective Action Plan  
Year Ended June 30, 2004

**Federal Award Findings and Questioned Costs**

**Item: 04-18**

*CFDA Number:* 16.579, 93.563

*Program:* Byrne Formula Grant Program, Child Support Enforcement

*Subject:* Controls are not in place to ensure that all required financial reports are submitted to the grantor by their required due date.

*Contact Person:* Richard Gaona, Finance Director

*Anticipated Completion Date:* December 1, 2007

*Corrective Action:* The County will implement the use of timeline reports.

**Item: 04-19**

*CFDA Number:* 16.579, 17.255, 17.258, 17.259, 17.260, 93.563

*Program:* Byrne Formula Grant Program, Workforce Investment Act Cluster, Child Support Enforcement

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

*Contact Person:* Richard Gaona, Finance Director

*Anticipated Completion Date:* March 31, 2008

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

**Item: 04-20**

*CFDA Number:* 39.011

*Program:* Election Reform Payments

*Subject:* Equipment purchased for the program was not included in the County's capital assets list.

Gila County  
Corrective Action Plan  
Year Ended June 30, 2004

*Contact Person:* Richard Gaona, Finance Director

*Anticipated Completion Date:* July 1, 2007

*Corrective Action:* The County now requires all departments to follow the County's capitalization policies.

***Item: 04-21***

*CFDA Number:* 93.563

*Program:* Child Support Enforcement

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

*Contact Person:* Richard Gaona, Finance Director

*Anticipated Completion Date:* July 1, 2007

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

***Item: 04-22***

*CFDA Number:* 17.255, 17.258, 17.259, 17.260

*Program:* Workforce Investment Act Cluster

*Subject:* Eight out of twelve participant's case files tested, did not contain documentation that the participant was unable to obtain funding for training from other sources.

*Contact Person:* Richard Gaona, Finance Director

*Anticipated Completion Date:* December 1, 2007

*Corrective Action:* The County will ensure that programs are in compliance with program requirements.

***Item: 04-23***

*CFDA Number:* 17.255, 17.258, 17.259, 17.260

*Program:* Workforce Investment Act Cluster

*Subject:* The County's subrecipient did not have a single audit performed.

**Gila County**  
Corrective Action Plan  
Year Ended June 30, 2004

*Contact Person:* Richard Gaona, Finance Director

*Anticipated Completion Date:* December 1, 2007

*Corrective Action:* The County will verify that subrecipients are in compliance with OMB Circular A-133.

***Item: 04-24***

*CFDA Number:* 15.226, 16.579, 17.255, 17.258, 17.259, 17.260, 39.011, 93.563

*Program:* Payments in Lieu of Taxes, Byrne Formula Grant Program, Workforce Investment Act Cluster, Election Reform Payments, and Child Support Enforcement

*Subject:* The County's audit was not completed within nine months of June 30, 2004.

*Contact Person:* Richard Gaona, Finance Director

*Anticipated Completion Date:* December 31, 2008

*Corrective Action:* Additional resources have been assigned to audits. Fiscal years 2004 and 2005 audit reports are expected to be issued by December 31, 2007 and May 31, 2008, respectively. Continued emphasis on audit completion will ensure that fiscal year's 2006 and 2007 audits will be completed by December 31, 2008.

**Gila County**  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2004

**Status of Prior Year Federal Award Findings and Questioned Costs**

*CFDA Number:* 93.563 Child Support Enforcement

*Finding Number:* 03-101

*Status:* Not corrected

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

*CFDA Number:* 16.579 Byrne Formula Grant Program

*Finding Number:* 03-102

*Status:* Not corrected.

*Corrective Action:* The County will implement the use of timeline reports.

*CFDA Number:* 16.579 Byrne Formula Grant Program; 17.255, 17.258, 17.259, and 17.260 Workforce Investment Act Cluster; 93.563 Child Support Enforcement

*Finding Number:* 03-103

*Status:* Corrected.

*CFDA Number:* 16.579 Byrne Formula Grant Program; 17.255, 17.258, 17.259, and 17.260 Workforce Investment Act Cluster; 93.563 Child Support Enforcement

*Finding Number:* 03-104

*Status:* Not corrected.

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