Gila County

Annual Financial Report

Year Ended June 30, 2018

A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General

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

The Joint Legislative Audit Committee

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DEPUTY AUDITOR GENERAL

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JOSEPH D. MOORE
DEPUTY AUDITOR GENERAL

Independent auditors' report

Members of the Arizona State Legislature

The Board of Supervisors of
Gila County, Arizona

Report on the financial statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Gila County as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the County as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other matters

Required supplementary information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages a-1 through a-5, budgetary comparison schedules on pages 47 through 52, schedule of the County's proportionate share of the net pension liability—cost-sharing plans on page 53, schedule of changes in the County's net pension liability and related ratios—agent plans on pages 54 through 56, and the schedule of County pension contributions on pages 57 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Compliance over the use of highway user revenue fund and other dedicated State transportation revenue monies

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

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

Other reporting required by *Government Auditing Standards*

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

Lindsey Perry, CPA, CFE
Auditor General

May 27, 2020

Gila County
Management's discussion and analysis
June 30, 2018

As management of Gila County, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the financial statements.

For the year ended June 30, 2018, the County implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB*), as amended by GASB Statement No. 85, *Omnibus 2017*. In addition, the County corrected its governmental capital assets purchased in prior years under the provisions of various long-term capital lease agreements and business-type cash and investments. Accordingly, the County has restated its net position as of July 1, 2017, for reporting the prior period adjustments as follows:

	Governmental Activities	Business-Type Activities
Net position as previously reported at June 30, 2017	$8,331,711	$9,362,859
Prior period adjustment—implementation of GASB 75:		
Net OPEB asset (measurement date as of June 30, 2016)	483,547	
Net OPEB liability (measurement date as of June 30, 2016)	(199,104)	(2,690)
Deferred outflows—county contributions made during Fiscal year 2017	121,979	2,798
Cash and investments at June 30, 2017		(97,450)
Capital assets, being depreciated, net at June 30, 2017	13,448	
Capital leases payable at June 30, 2017	(8,394)	
Total prior period adjustment	411,476	(97,342)
Net position as restated July 1, 2017	$8,743,187	$9,265,517

As a result of the County's implementation of GASB Statement No. 75, the County reported the net OPEB asset of $683,174, net OPEB liability of $117,462 and deferred outflows and inflows of resources related to OPEB of $127,741 and $245,794, respectively.

Financial Highlights

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the current fiscal year by $12.6 million (net position). Of this amount, $29 million is the net investment in capital assets (e.g., land, buildings, improvements, machinery and equipment, infrastructure and construction in progress); $25.4 million is restricted for specific purposes (restricted net position); and $(41.8) million is the County's deficit that is primarily a result of recognizing long-term liabilities related to pensions and other postemployment benefits (OPEB).

- At June 30, 2018, total assets were $86 million, an increase of $510,000 or 0.6 percent in comparison with the prior fiscal year's restated balance of $85.5 million.

- At June 30, 2018, total liabilities were $75.2 million, an increase of $2.9 million or almost 4 percent in comparison with the prior fiscal year's restated balance of $72.3 million.

- At June 30, 2018, the County reported total deferred outflows of resources related to pensions/OPEB of $7.5 million and deferred inflows of resources related to pensions/OPEB of $5.8 million.

- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of $33.9 million, a decrease of $1.25 million in comparison with the prior year's balance of $35.1 million.

- At the end of the current fiscal year, general fund had an unrestricted fund balance of $15.5 million or 38.3 percent of total general fund expenditures. Of this amount, assigned fund balance for a contingency reserve and cash flow reserves was $12.1 million and unassigned fund balance was $3.4 million.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

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

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

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

The government-wide financial statements can be found on pages 1 and 2 of this report.

Fund Financial Statements

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

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

Because the focus of governmental fund statements is narrower than the government-wide statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances include a reconciliation to facilitate this comparison between governmental funds and governmental activities. The County maintains numerous individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for two funds that are considered to be major funds, General and Public Works. Data from the other governmental funds is combined into a single, aggregated presentation.

The basic governmental fund financial statements can be found on pages 3 through 6 of this report.

Proprietary Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for landfill operations. The proprietary fund financial statements can be found on pages 7 through 9 of this report.

Fiduciary Funds are used to account for resources held by the County for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own operations. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements can be found on pages 10 and 11 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 through 45 of this report.

Required supplementary information presents budgetary comparison schedules for the general and major special revenue funds. This section also includes certain information concerning the County's net pension liability and pension contributions. Required supplementary information can be found on pages 46 through 52 of this report.

Government-wide Financial Analysis

Statement of Net Position—As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the fiscal year, the County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $12.6 million as presented in the following table.

Condensed statement of net position
(in thousands)
June 30, 2018 and 2017

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	$ 38,862	$ 38,893	$11,382	$10,346	$ 50,244	$ 49,239
Capital assets	32,266	32,993	3,506	3,274	35,772	36,267
Total assets	71,128	71,886	14,888	13,620	86,016	85,506
Deferred outflows of resources						
Total deferred outflows of resources	7,457	11,041	76	118	7,533	11,159
Current and other liabilities	3,237	2,619	296	41	3,533	2,660
Long-term liabilities	67,048	65,422	4,602	4,213	71,650	69,635
Total liabilities	70,285	68,041	4,898	4,254	75,183	72,295
Deferred inflows of resources						
Total deferred inflows of resources	$ 5,712	$ 6,554	$ 71	$ 121	$ 5,783	$ 6,675
Net position						
Net investment in capital assets	25,502	25,866	3,506	3,241	29,008	29,107
Restricted	20,431	19,723	4,955	4,803	25,386	24,526
Unrestricted	(43,345)	(37,257)	1,534	1,319	(41,811)	(35,938)
Total net position	$ 2,588	$ 8,332	$ 9,995	$ 9,363	$ 12,583	$ 17,695

The largest portion of the County's net position is approximately $29 million, or 230.5 percent, that reflects its investment in capital assets (e.g. land, buildings, equipment, vehicles and infrastructure); less accumulated depreciation and any related debt used to acquire those assets that is still outstanding. The County uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities. The County's restricted net position of $25.4 million, or 201.8 percent, is subject to external restrictions on how they may be used. The County's unrestricted deficit of $41.8 million, or negative 332.3 percent, was an increased deficit of $5.9 million from the prior year's restated unrestricted deficit of $35.9 million.

The following provides an explanation of governmental activities, deferred outflows and inflows related to pensions/OPEB that changed significantly over the prior year:

- Deferred outflows and inflows related to pensions – the net decrease of $3.6 million and $842,000 for the deferred outflows and inflows related to pensions, respectively, was a result of the actuarial valuation performed of the County's participated pension plans as of June 30, 2016 and a measurement date of June 30, 2017.

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

- Current and other assets – the net increase of $1 million was largely due to additional charges for services in the current year and an increase in current liabilities at year-end.

Statement of activities—Already noted was the statement of activities purpose in presenting how the government's net position changed during the current fiscal year. At the end of the current fiscal year, net position decreased by $5 million. The following table presents the changes in net position.

Changes in Net Position
(in thousands)
Years Ended June 30, 2018 and 2017

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	$ 3,069	$ 2,954	$2,195	$1,976	$ 5,264	$ 4,930
Grants and contributions	17,231	13,538			17,231	13,538
General revenues:						
Property taxes	21,459	21,385			21,459	21,385
County excise tax	4,594	4,462			4,594	4,462
Share of state sales taxes	5,776	5,594			5,776	5,594
Shared revenue, state vehicle license tax	1,874	1,825			1,874	1,825
State appropriations	617	617			617	617
Shared revenue, state liquor license tax	14	17			14	17
Payments in lieu of taxes	3,829	3,744			3,829	3,744
Investment income	255	26	(1)	(5)	254	21
Miscellaneous	1,265	1,338		1	1,265	1,339
Gain on disposal of capital assets	42	238			42	238
Total revenues	60,025	55,738	2,194	1,972	62,219	57,710
Expenses:						
General government	$25,140	$23,236			$25,140	$23,236
Public safety	20,504	18,028			20,504	18,028
Highways and streets	6,519	5,194			6,519	5,194
Health	2,794	2,742			2,794	2,742
Welfare	6,706	6,085			6,706	6,085
Sanitation	50	48	$1,465	$1,246	1,515	1,294
Culture and recreation	1,353	1,433			1,353	1,433
Education	2,837	1,376			2,837	1,376
Interest on long-term debt	277	292			277	292
Total expenses	66,180	58,434	1,465	1,246	67,645	59,680
Change in net position before transfers	(6,155)	(2,696)	729	726	(5,426)	(1,970)
Transfers		(5)		5		
Changes in net position	(6,155)	(2,701)	729	731	(5,426)	(1,970)
Net position—beginning	8,332	11,033	9,363	8,632	17,695	19,665
Prior period adjustments	411	5	(97)		314	5
Net position—ending	$ 2,588	$ 8,332	$9,995	$9,363	$12,583	$17,695

Overall, the governmental activities revenues increased by $4.3 million, or 7.7 percent, and program expenses increased by $7.7 million, or 13.3 percent, in the current fiscal year. The following provides an explanation of governmental activities revenues and expenses that changed significantly compared to the prior year:

Grants and contributions—The net increase of $3.7 million was largely due to the increases in child support enforcement grants of $1.3 million, national forest fees of $1.1 million, state subsidy for the elected official retirement pension plan of $342,000, community services federal grants of $235,000, private contributions of $44,000, and emergency response federal grants of $225,000.

Public safety expenses—The net increase of $2.5 million was primarily due to the increase in pension/OPEB expense in the current year.

Welfare expenses—The net increase of $621,000 was largely due to the increase in community services federal grants of $235,000, private contributions of $44,000 and carried forward fund balance of $401,000.

Overall, the business-type activities revenues increased by $222,000, or 11.3 percent, and program expenses increased by $219,000, or 17.6 percent, in the current fiscal year. The following provides an explanation of business-type activities expenses that changed significantly compared to the prior year:

Sanitation expenses—The net increase of $219,000 or 17.6 percent was primarily due to the increase of $38,000 professional services on designing, architectural and engineering for the improvements of the Buckhead Mesa Landfill and the increase of $199,000 landfill closure and postclosure care costs estimated by the County's contracted engineering specialist.

Financial Analysis of the Governmental Funds

The County reported two major funds for this fiscal year: the General Fund and Public Works Fund. At the end of the current fiscal year, the County's governmental funds reported combined fund balances of $33.9 million, which was a decrease of $1.3 million from the prior year. Of the total, $14.1 million constitutes unrestricted fund balances.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, fund balance of the general fund was $15,555,432, a decrease of $1,257,143, or 7.5 percent over the prior year's balance of $16,812,575. The unrestricted fund balance of the general fund was $15.5 million, which represents 38.3 percent of total general fund expenditures. This ratio indicates a strong fund balance position in comparison to expenditures.

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

General Fund

- Intergovernmental revenue—the net increase of $1.5 million was primarily due to additional national forest fees of $1.1 million, state shared revenues of $227,000 and payments in lieu of taxes of $85,000.

Public Works Fund

- Highways and streets—the net increase of $1.3 million was largely due to more vehicles purchased and roads maintained than the prior year that resulted in higher capital outlay expenses, salaries and wages, road repair and maintenance costs.

General Fund Budgetary Highlights

General Fund actual expenditures were $18,338,626 under the adopted budget and actual revenues were more than estimated revenues by $1,863,377. The County had budgeted $400,000 for contingency reserve and did not incur any expenditures during the current fiscal year. The Education department (School Superintendent) had budgeted expenditures of $375,296 while actual expenditures were $1,675,285, which is $1,299,989 over budget due to not budgeting for the national forest fees of $1,291,045 passed through to subrecipients (school districts). Grants passed through to subrecipients were recognized as revenues and corresponding expenditures. This also accounted for much of the favorable variance in intergovernmental revenues.

The significant County departments and other budgeted line items over budget are Professional Services $369,018, AHCCCS Contributions $739,948, Community Agencies $155,000, and School Superintendent $1,299,989. The over budget expenditures for School Superintendent was due to unbudgeted pass-through grants as mentioned above. The over budget expenditures for the remaining budgeted line items were primarily due to unexpected costs. The County will strive to improve its budgeting procedures and controls in the future.

Capital Asset and Debt Administration

Capital assets include land, construction in progress, buildings, machinery and equipment and infrastructure assets (roads, highways, bridges, etc.). The County's total capital assets net of accumulated depreciation decreased by only $508,000, or 1.4 percent, during the current fiscal year in comparison with the prior year's restated balance of $36,280,000.

The County's investment in capital assets for its governmental activities as of June 30, 2018, amounts to $32.3 million (net of accumulated depreciation), a net decrease of $740,000, or 2.2 percent, from the prior year.

The County's investment in capital assets for its business-type activities as of June 30, 2018, amounts to $3.5 million (net of accumulated depreciation), a net increase of $232,000, or 7.1 percent from the prior year.

Major capital asset activity during the fiscal year included:

Business-Type Activities:

- Construction in progress—The net increase of $247,000 was primarily due to the Buckhead Mesa landfill improvement project.

The following table provides a breakdown of the County's capital assets as of June 30, 2018 and 2017.

Capital Assets at Year-End
(Net of Accumulated Depreciation)
(in thousands)
June 30, 2018 and 2017

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	$ 2,261	$ 2,261	$3,000	$3,000	$ 5,261	$ 5,261
Construction in progress	3,687	3,374	247		3,934	3,374
Buildings	11,838	12,599			11,838	12,599
Improvements other than buildings	825	677			825	677
Machinery and equipment	3,947	3,873	259	269	4,206	4,155
Infrastructure	9,708	10,209		5	9,708	10,214
Total capital assets, net	$32,266	$32,993	$3,506	$3,274	$35,772	$36,267

Additional information on the County's capital assets can be found in Note 7 on pages 23 through 24 of this report.

Long-term debt—The County's total long-term liabilities as of June 30, 2018, amounts to $71.7 million, a net increase of $1.9 million during the current fiscal year in comparison with the prior year's restated balance of $69.8 million.

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

Governmental Activities:
- Net pension/OPEB liability—A net increase of $2 million was a result of the actuarial valuation performed of the County's participated pension plans as of June 30, 2016 and a measurement date of June 30, 2017.

- Pledged revenue obligations payable—The net decrease of $557,000 was a result of the regular scheduled principal payments for the 2009 and 2015 series pledged revenue obligations.

Business-Type Activities:
- Landfill closure and postclosure care costs payable—The increase of $442,000 was a result of changing its estimate at year-end.

State statutes limit the amount of general obligation debt a county may issue to 6 percent of its total assessed valuation. The current debt limitation for the County is $28,919,479. Since the County has no general obligation debt, this amount equals the debt capacity. Additional information on long-term debt can be found in Note 9 on pages 24 through 26 of this report.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for Gila County is 5.9 percent at June 2018 which is same as the previous year's rate. The state unemployment rate was 4.7 percent at June 2018. There is a decrease in property assessed valuations with no change in tax rate for the fiscal year 2018. These economic factors were considered in preparing the County's budget for this fiscal year 2018. As a result of the COVID-19 outbreak, economic uncertainties have arisen. However, the related financial impact and duration cannot be reasonably estimated at this time.

Requests for Information

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

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

Gila County
Statement of net position
June 30, 2018

	Governmental activities	Business-type activities	Total
Assets			
Cash and investments	$ 33,997,917	$ 6,263,908	$ 40,261,825
Receivables (net of allowances for uncollectibles):			
Property taxes	495,552		495,552
Accounts	498,023	142,639	640,662
Interest	98,175	18,264	116,439
Due from other governments	3,000,104		3,000,104
Prepaid items	21,305		21,305
Inventories	69,775		69,775
Cash and investments held by trustee-restricted	236	4,955,089	4,955,325
Net other postemployment benefits asset	680,916	2,258	683,174
Capital assets, not being depreciated	5,947,465	3,247,381	9,194,846
Capital assets, being depreciated, net	26,318,655	258,836	26,577,491
Total assets	71,128,123	14,888,375	86,016,498
Deferred outflows of resources			
Deferred outflows related to pensions and other postemployment benefits	7,457,411	75,623	7,533,034
Total deferred outflows of resources	7,457,411	75,623	7,533,034
Liabilities			
Accounts payable	2,125,311	285,426	2,410,737
Accrued payroll and employee benefits	688,243	10,960	699,203
Due to other governments	162,460		162,460
Deposits held for others	108,409		108,409
Unearned revenue	152,747		152,747
Noncurrent liabilities:			
Due within one year	2,027,916	25,367	2,053,283
Due in more than one year	65,020,377	4,576,175	69,596,552
Total liabilities	70,285,463	4,897,928	75,183,391
Deferred inflows of resources			
Deferred inflows related to pensions and other postemployment benefits	5,712,381	70,706	5,783,087
Total deferred inflows of resources	5,712,381	70,706	5,783,087
Net position			
Net investment in capital assets	25,501,870	3,506,217	29,008,087
Restricted for:			
Public safety	27,612		27,612
Highways and streets	10,216,087		10,216,087
Health services	950,148		950,148
Judicial activities	5,319,354		5,319,354
Law enforcement	800,505		800,505
Education	1,598,990		1,598,990
Sanitation	80,549		80,549
Social services	584,639		584,639
Library	282,418		282,418
Street lighting improvement	19,296		19,296
Other purposes	555,467		555,467
Landfill closure and postclosure care costs		4,955,089	4,955,089
Unrestricted (deficit)	(43,349,245)	1,534,058	(41,815,187)
Total net position	$ 2,587,690	$ 9,995,364	$ 12,583,054

See accompanying notes to financial statements.

Gila County
Statement of activities
Year ended June 30, 2018

		Program revenues			Net (expense) revenue and changes in net position		
					Primary government		
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Functions/programs							
Governmental activities							
General government	$ 25,140,165	$ 2,162,621	$ 3,299,373		$ (19,678,171)		$ (19,678,171)
Public safety	20,504,302	552,308	2,635,155		(17,316,839)		(17,316,839)
Highways and streets	6,519,370	14,244		$ 5,171,269	(1,333,857)		(1,333,857)
Health	2,794,200	236,784	1,660,414		(897,002)		(897,002)
Welfare	6,705,580	78,086	2,069,812		(4,557,682)		(4,557,682)
Sanitation	50,449		108,567		58,118		58,118
Culture and recreation	1,352,909		183,315		(1,169,594)		(1,169,594)
Education	2,836,594	25,039	2,102,517		(709,038)		(709,038)
Interest on long-term debt	277,031				(277,031)		(277,031)
Total governmental activities	66,180,600	3,069,082	12,059,153	5,171,269	(45,881,096)		(45,881,096)
Business-type activities							
Landfill	1,464,653	2,194,670				$ 730,017	730,017
Total business-type activities	1,464,653	2,194,670				730,017	730,017
Total primary government	$ 67,645,253	$ 5,263,752	$ 12,059,153	$ 5,171,269	(45,881,096)	730,017	45,151,079
General revenues							
Taxes:							
Property taxes, levied for general purposes					20,252,971		20,252,971
Property taxes, levied for street lighting districts					51,890		51,890
Property taxes, levied for library district					1,154,492		1,154,492
County excise tax for general purpose					3,077,234		3,077,234
County excise tax for transportation purpose					1,516,522		1,516,522
Shared revenue—state sales tax					5,775,841		5,775,841
Shared revenue—state vehicle license tax					1,873,651		1,873,651
State appropriations					617,150		617,150
Shared revenue—state liquor license tax					14,258		14,258
Payments in lieu of taxes					3,829,387		3,829,387
Investment earnings (loss)					254,854	(170)	254,684
Miscellaneous					1,265,383		1,265,383
Gain on disposal of capital assets					41,966		
Total general revenues					39,725,599	(170)	39,725,429
Change in net position					(6,155,497)	729,847	(5,425,650)
Net position, July 1, 2017, as restated					8,743,187	9,265,517	18,008,704
Net position, June 30, 2018					$ 2,587,690	$ 9,995,364	$ 12,583,054

See accompanying notes to financial statements.

Gila County
Balance sheet
Governmental funds
June 30, 2018

	General fund	Public works fund	Other governmental funds	Total governmental funds
Assets				
Cash and investments	$ 16,029,645	$ 9,986,488	$ 7,981,784	$ 33,997,917
Receivables (net of allowances for uncollectibles):				
Property taxes	465,053		30,499	495,552
Accounts	374,932	28,965	94,126	498,023
Interest	46,980	29,373	21,822	98,175
Due from other funds	40,093			40,093
Due from other governments	1,401,501	721,428	877,175	3,000,104
Cash and investments held by trustee-restricted	236			236
Prepaid items	21,017		288	21,305
Inventories	69,775			69,775
Total assets	18,449,232	10,766,254	9,005,694	38,221,180
Liabilities				
Accounts payable	1,297,389	490,763	337,159	2,125,311
Accrued payroll and employee benefits	464,239	59,404	164,600	688,243
Due to:				
Other funds			40,093	40,093
Other governments			162,460	162,460
Deposits held for others	108,409			108,409
Unearned revenue	152,747			152,747
Total liabilities	2,022,784	550,167	704,312	3,277,263
Deferred inflows of resources				
Unavailable revenue—property taxes	376,577		26,286	402,863
Unavailable revenue—intergovernmental			144,130	144,130
Unavailable revenue—charges for services	481,401			481,401
Unavailable revenue—miscellaneous	13,038		16,294	29,332
Total deferred inflows of resources	871,016		186,710	1,057,726
Fund balances				
Nonspendable	90,792		288	91,080
Restricted	236	10,216,087	9,446,749	19,663,072
Assigned	12,081,852			12,081,852
Unassigned	3,382,552		(1,332,365)	2,050,187
Total fund balances	15,555,432	10,216,087	8,114,672	33,886,191
Total liabilities, deferred inflows of resources, and fund balances	$ 18,449,232	$ 10,766,254	$ 9,005,694	$ 38,221,180

See accompanying notes to financial statements.

Gila County
Reconciliation of the governmental funds balance sheet to the government-wide statement of net position
June 30, 2018

Fund balances—total governmental funds	$ 33,886,191
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	32,266,120
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	1,057,726
Net pension assets held in trust for future benefits are not available for County operations and, therefore, are not reported in the funds.	680,916
Long-term liabilities, such as net pension/OPEB liabilities and bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(67,048,293)
Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future reporting periods and, therefore, are not reported in the funds.	1,745,030
Net position of governmental activities	$ 2,587,690

See accompanying notes to financial statements.

Gila County
Statement of revenues, expenditures, and changes in fund balances
Governmental funds
Year ended June 30, 2018

	General fund	Public works fund	Other governmental funds	Total governmental funds
Revenues:				
Taxes	$ 23,352,698	$ 1,516,522	$ 1,207,470	$ 26,076,690
Licenses and permits	587,338	12,745	125,687	725,770
Intergovernmental	14,378,356	5,156,269	8,633,973	28,168,598
Charges for services	1,009,167		814,286	1,823,453
Fines and forfeits	413,234		107,116	520,350
Donations and contributions	154	15,000	211,119	226,273
Investment earnings	158,814	78,545	17,495	254,854
Miscellaneous	793,512	85,709	411,398	1,290,619
Total revenues	40,693,273	6,864,790	11,528,544	59,086,607
Expenditures:				
Current:				
General government	19,286,698		2,422,977	21,709,675
Public safety	14,012,384		2,381,690	16,394,074
Highways and streets		6,928,778	52,903	6,981,681
Health			3,107,350	3,107,350
Welfare	4,508,579		2,339,136	6,847,715
Sanitation			145,070	145,070
Culture and recreation			1,430,452	1,430,452
Education	1,675,285		1,105,016	2,780,301
Debt service:				
Principal retirement	557,149			557,149
Interest and other charges	288,603			288,603
Total expenditures	40,328,698	6,928,778	12,984,594	60,242,070
Excess (deficiency) of revenues over expenditures	364,575	(63,988)	(1,456,050)	(1,155,463)
Other financing sources (uses):				
Sale of capital assets		41,966		41,966
Transfers in	118,385	77,748	1,593,715	1,789,848
Transfers out	(1,671,463)		(118,385)	(1,789,848)
Total other financing sources (uses)	(1,553,078)	119,714	1,475,330	41,966
Net change in fund balances	(1,188,503)	55,726	19,280	(1,113,497)
Fund balances, July 1, 2017	16,812,575	10,232,578	8,095,392	35,140,545
Changes in nonspendable resources:				
Decrease in reserve for inventories	(68,640)	(72,217)		(140,857)
Fund balances, June 30, 2018	$ 15,555,432	$ 10,216,087	$ 8,114,672	$ 33,886,191

See accompanying notes to financial statements.

Gila County

Reconciliation of the governmental funds statement of revenues, expenditures, and changes in fund balances to the government-wide statement of activities
Year ended June 30, 2018

Net change in fund balances—total governmental funds		$ (1,113,497)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	2,091,900	
Depreciation expense	(2,831,877)	(739,977)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is issued, whereas these amounts are amortized in the statement of activities.		
Bond premium amortized	11,572	
Bond principal repaid	557,149	
Capital leases principal repaid	4,768	573,489
County pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension/OPEB liability is measured a year before the County's report date. Pension/OPEB expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the statement of activities.		
County pension/OPEB contributions	3,397,640	
Pension/OPEB expense	(8,979,312)	(5,581,672)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when the financial resources are available.		
Increase in compensated absences payable		(49,513)
Collections of revenues in the governmental funds exceeded revenues reported in the statement of activities.		
Property taxes	(23,581)	
Intergovernmental	(25,944)	
Charges for services	(564,849)	
Miscellaneous revenue	(25,453)	(639,827)
Some revenues reported in the statement of activities do not represent the collection of current financial resources and therefore are not reported as revenues in the governmental funds.		
Intergovernmental	80,279	
Charges for services	483,514	
Miscellaneous revenue	216	
EORP subsidy	972,348	1,536,357
Some cash outlays, such as purchases of inventories, are reported as expenditures in the governmental funds when purchased. In the statement of activities, however, they are reported as expenses when consumed.		
Decrease in inventories		(140,857)
Change in net position of governmental activities		$ (6,155,497)

See accompanying notes to financial statements.

Gila County
Statement of net position
Proprietary fund
June 30, 2018

	Business-type activities—enterprise fund landfill
Assets	
Current assets:	
Cash and investments	$ 6,263,908
Accounts receivable	142,639
Interest receivable	18,264
Total current assets	6,424,811
Noncurrent assets:	
Restricted cash and investments	4,955,089
Net other postemployment benefits asset	2,258
Capital assets:	
Nondepreciable	3,247,381
Depreciable, net	258,836
Total noncurrent assets	8,463,564
Total assets	14,888,375
Deferred outflows of resources	
Deferred outflows related to pensions and other postemployment benefits	75,623
Total deferred outflows of resources	75,623
Total assets and deferred outflows of resources	14,963,998
Liabilities	
Current liabilities:	
Accounts payable	285,426
Accrued payroll and employee benefits	10,960
Total current liabilities	296,386
Noncurrent liabilities:	
Compensated absences payable	31,086
Landfill closure and postclosure care costs payable	3,961,999
Net pension and other postemployment benefits liability	608,457
Total noncurrent liabilities	4,601,542
Total liabilities	4,897,928
Deferred inflows of resources	
Deferred inflows related to pensions and other postemployment benefits	70,706
Total deferred inflows of resources	70,706
Total liabilities and deferred inflows of resources	4,968,634
Net position	
Net investment in capital assets	3,506,217
Restricted for landfill closure and postclosure care costs	4,955,089
Unrestricted	1,534,058
Total net position	$ 9,995,364

See accompanying notes to financial statements.

Gila County

Statement of revenues, expenses, and changes in fund net position
Proprietary fund
Year ended June 30, 2018

	Business-type activities—enterprise fund landfill
Operating revenues:	
Landfill fees	$ 2,194,670
Total operating revenues	2,194,670
Operating expenses:	
Personal services	542,778
Professional services	105,178
Supplies	106,855
Utilities	8,510
Repairs and maintenance	83,076
Landfill closure and postclosure care costs	441,630
Depreciation	70,113
Other	106,513
Total operating expenses	1,464,653
Operating income	730,017
Nonoperating expenses	
Investment loss	(170)
Total nonoperating expenses	(170)
Increase in net position	729,847
Net position, July 1, 2017, as restated	9,265,517
Net position, June 30, 2018	$ 9,995,364

See accompanying notes to financial statements.

Gila County
Statement of cash flows
Proprietary fund
Year ended June 30, 2018

	Business-type activities—enterprise fund landfill
Cash flows from operating activities	
Receipts from customers	$ 2,210,811
Payments to suppliers and providers of goods and services	(155,638)
Payments for employees wages and benefits	(604,927)
Net cash provided by operating activities	1,450,246
Cash flows from capital and related financing activities	
Purchases of capital assets	(302,550)
Net cash used for capital and related financing activities	(302,550)
Cash flows from investing activities	
Investment earnings	(7,918)
Net cash used for investing activities	(7,918)
Net increase in cash and cash equivalents	1,281,999
Cash and cash equivalents, July 1, 2017, as restated	10,079,219
Cash and cash equivalents, June 30, 2018	$11,218,997
Reconciliation of operating income to net cash provided by operating activities	
Operating income	$ 730,017
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	70,113
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Accounts receivable	16,141
Net other postemployment benefits asset	(2,150)
Deferred outflows of resources related to pensions and other postemployment benefits	42,794
Accounts payable	254,493
Accrued payroll and employee benefits	1,269
Compensated absences payable	974
Landfill closure and postclosure care costs payable	441,631
Net pension and other postemployment benefits liability	(54,373)
Deferred inflows of resources related to pensions and other postemployment benefits	(50,663)
Net cash provided by operating activities	$ 1,450,246

See accompanying notes to financial statements.

Gila County
Statement of fiduciary net position
Fiduciary funds
June 30, 2018

	Investment trust funds	Agency funds
Assets		
Cash and investments	$ 37,575,808	$ 956,281
Interest receivable	106,041	1,064
Total assets	$ 37,681,849	$ 957,345
Liabilities		
Due to other governments		363,689
Deposits held for others		593,656
Total liabilities		$ 957,345
Net position		
Held in trust for investment trust participants	$ 37,681,849	

See accompanying notes to financial statements.

Gila County
Statement of changes in fiduciary net position
Fiduciary funds
Year ended June 30, 2018

	Investment trust funds
Additions:	
Contributions from participants	$ 100,125,499
Investment earnings	297,288
Total additions	100,422,787
Deductions:	
Distributions to participants	99,772,316
Change in net position	650,471
Net position, July 1, 2017	37,031,378
Net position, June 30, 2018	$ 37,681,849

See accompanying notes to financial statements.

Note 1 - Summary of significant accounting policies

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

For the year ended June 30, 2018, the County implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*. GASB Statement No. 75 established standards for measuring and recognizing net assets or liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to other postemployment benefits (OPEB) provided through defined benefit OPEB plans. In addition, Statement No. 75 requires disclosure of information related to OPEB.

A. Reporting entity

The County is a general purpose local government that is governed by a separately elected board of 3 county supervisors. The accompanying financial statements present the activities of the County (the primary government) and its component units.

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

The following table describes the County's component units:

Component unit	Description; criteria for inclusion	Reporting method	For separate financial statements
Gila County Library District	A tax-levying district that provides and maintains library services for the County's residents; the County's Board of Supervisors serves as the board of directors, and county management has operational responsibility for the component unit.	Blended	Not available
Gila County Street Lighting Districts	A tax-levying district that operates and maintains street lighting in areas outside local city jurisdictions; the County's Board of Supervisors serves as the board of directors, and county management has operational responsibility for the component unit.	Blended	Not available

B. Basis of presentation

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

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

A statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include:

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

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

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

Fund financial statements—Provide information about the County's funds, including fiduciary funds and blended component units. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major governmental 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.

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

The County reports the following major governmental funds:

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

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

The County reports the following proprietary fund:

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

The County also reports the following fund types:

The *investment trust funds* account for pooled assets the County Treasurer holds and invests on behalf of other governmental entities.

The *agency funds* account for assets the County holds as an agent for the State, various local governments, and other parties.

C. Basis of accounting

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

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

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

D. Cash and investments

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

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 the time of purchase are stated at amortized cost. All other investments are stated at fair value.

E. Inventories

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

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

F. Property tax calendar

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

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

G. Capital assets

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

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

	Capitalization threshold	Depreciation method	Estimated useful life
Land	All	N/A	N/A
Buildings	$5,000	Straight-line	7-30 years
Improvements other than buildings	5,000	Straight-line	20 years
Machinery and equipment	5,000	Straight-line	3-25 years
Infrastructure	5,000	Straight-line	7-50 years

H. Deferred outflows and inflows of resources

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

I. Postemployment benefits

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

J. Fund balance classifications

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

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

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

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

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

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

K. Investment earnings

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

L. Compensated absences

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

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

Employees may accumulate an unlimited number of sick leave hours. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. Because sick leave benefits do not vest with employees, a liability for sick leave benefits is not accrued in the financial statements. However, upon retirement, employees who have accumulated at least 1,000 hours of sick leave receive a $3,000 bonus. The liability for the bonus related to the sick leave is recorded in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds' financial statements only if they have matured; for example, as a result of employee resignations and retirements by fiscal year-end.

M. Miscellaneous Disclosures

Pursuant to A.R.S. 35-391(B) the County shall disclose in its annual financial report the amount of any reward, discount, incentive, or other financial consideration received by the governmental entity resulting from credit card payments. The County received $25,719 in credit card rebates during calendar year 2018.

Note 2 – Change in accounting principle and correction of a misstatement—prior-period adjustments

Net position as of July 1, 2017, has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), as amended by GASB Statement No. 85, *Omnibus 2017*. In addition, it has been restated for the increase of capital assets purchased under the provisions of various long-term capital lease agreements in prior years that were not previously recorded, and the correction if business-type cash and investments.

Government-wide statements

	Governmental Activities	Business-type activities
Net position as previously reported at June 30, 2017	$8,331,711	$9,362,859
Prior period adjustments:		
Implementation of GASB 75:		
Net OPEB asset (measurement date as of June 30, 2016)	483,547	
Net OPEB liability (measurement date as of June 30, 2016)	(199,104)	(2,690)
Deferred outflows—county contributions made during fiscal year 2017	121,979	2,798
Correction of errors		
Cash and investments at June 30, 2017		(97,450)
Capital assets, being depreciated, net at June 30, 2017	13,448	
Capital leases payable at June 30, 2017	(8,394)	
Total prior period adjustments	411,476	(97,342)
Net position as restated, July 1, 2017	$8,743,187	$9,265,517

Note 3 - Individual fund deficits

The following special revenue funds had fund deficits in excess of $1,000 as of June 30, 2018:

Fund	Deficit
State Aid Enhancement	195,915
IV D Incentive/SSRE 93.563	177,287
Housing	148,397
Diversion Program CA	141,304
Attorney's Justice Enhancement	139,102
Drug Prosecution Grant 16.738	100,882
Weatherization Asst 81.042 / 93.568	80,736
DES Community Action Program	14,756
Supp Nutrition Assist Prg 10.561	22,313
Crime Victim Assistance Prog	52,353
Adult Intensive Prob Supervision	40,711
Health Service Fund	28,543
Superior & JP Crts Security	27,487
Supp Nutrtn Asst Prg Ed 10.561	22,730
Prop 201 Smoke Free AZ Act	20,944
Rabies Control	20,300
Teen Pregnancy Prevention Svcs	13,942
Juvenile Standards Probation	11,538
Public Health Emerg Prep 93.069	11,462
Field Trainer	9,658
Population Health Initiative	8,571
CASA - Globe	8,094
RXP - Presc Drug OD Prev 93.136	9,679
Victim Compensation	5,451
Law Library Fund	5,081
Concilliation Court Fund	5,002
Claypool/Lower Miami SLID	3,474
Tobacco Free Environment	2,833
CJEF Substance Abuse	1,154

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

Note 4 - Deposits and investments

Arizona Revised Statutes (A.R.S.) authorize the County to invest public monies in the State Treasurer's investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds, notes, and other evidences of indebtedness; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper issued by corporations organized and doing business in the United States; specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the County Treasurer may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

Credit risk
Statutes have the following requirements for credit risk:

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

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

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

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

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

Deposits—At June 30, 2018, the carrying amount of the County's deposits was $22,891,676, and the bank balance was $23,508,673. The County does not have a formal policy related to custodial credit risk for deposits.

Investments—The County's investments at June 30, 2018, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

		Fair value measurement using	
	Amount	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Investments by fair value level			
U.S. Treasury securities	$29,819,266	$29,819,266	
Federal Farm Credit Banks	9,817,777	9,817,777	
Federal Home Loan Bank	14,697,939	14,697,939	
Federal Home Loan Mortgage Corporation	2,212,656	2,212,655	
Federal National Mortgage Association	977,787	977,787	
Corporate bonds	1,500,264	1,500,264	
Negotiable certificates of deposit	1,704,154	1,704,154	
U.S. Treasury money market funds	67,947	67,711	$236
Total investments by fair value level	$60,797,790	$60,797,554	$236

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

Investments categorized as Level 2 of the fair value hierarchy are valued using prices quoted for those investments in markets that are not active.

Credit risk**—**The County does not have a formal investment policy with respect to credit risk.

At June 30, 2018, credit risk for the County's investments was as follows:

Investment type	Rating	Rating agency	Amount
U.S. agency securities	Aaa	Moody's	$27,706,159
Corporate bonds	Aa2	Moody's	503,841
Corporate bonds	Aa1	Moody's	498,493
Corporate bonds	Aaa	Moody's	497,930
Negotiable certificates of deposit	Unrated	N/A	1,704,154
U.S. Treasury money market funds	Unrated	N/A	67,947
			$30,978,524

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

Concentration of credit risk**—**The County does not have a formal investment policy with respect to concentration of credit risk. The County had investments at June 30, 2018, representing 5 percent or more of the County's total investments as follows:

U.S. agency	Percent
Federal Home Loan Bank	24.18%
Federal Farm Credit Banks	16.15%

Interest rate risk—The County does not have a formal investment policy with respect to interest rate risk. At June 30, 2018, the County had the following investments in debt securities:

Investment type	Amount	Weighted average maturity (years)
U.S. agency securities	$27,706,159	1.24
U.S. Treasury securities	29,819,266	0.62
Corporate bonds	1,500,264	1.99
Negotiable certificates of deposit	1,704,154	1.66
U.S. Treasury money market funds	67,947	0.00
Total	$60,797,790	

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

Cash, deposits, and investments:	
Cash on hand	$ 59,772
Amount of deposits	22,891,676
Amount of investments	60,797,790
Total	$83,749,238

Statement of net position

	Governmental activities	Business-type activities	Investment trust funds	Agency funds	Total
Cash and investments	$33,997,917	$6,263,908	$37,575,808	$956,281	$78,793,913
Cash and investments held by trustee—restricted	236	4,955,089			4,955,325
Total	$33,998,153	$11,218,997	$37,575,808	$956,281	$83,749,239

Note 5 – County Treasurer's investment pool

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

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

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

The County's deposits and investments are included in the County Treasurer's investment pool, except for $899,573 in deposits and $4,955,325 of cash and investments held by trustee. Therefore, the deposit and investment risks of the Treasurer's investment pool are substantially the same as the County's deposit and investment risks. See Note 4 for disclosure of the County's deposit and investment risks.

Details of each major investment classification follow:

Investment type	Principal	Interest rates	Maturities	Fair value
U.S. agency securities	$27,880,000	0.625% - 3.750%	08/18 – 02/21	$27,706,159
U.S. Treasury securities	29,968,000	1.125% - 2.125%	07/18 –12/21	29,819,266
U.S. Treasury money market funds	67,711	0.000% - 1.290%	N/A	67,711
Corporate bonds	1,500,000	1.912%- 3.750%	05/19 – 08/21	1,500,264
Negotiable certificates of deposit	1,750,000	1.050% -1.550%	08/18 – 08/21	1,704,154
	$61,165,711			$60,797,554

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

Statement of net position	
Assets	$ 78,064,112
Liabilities	363,689
Net position	$ 77,700,423
Net position held in trust for:	
Internal participants	$ 40,018,574
External participants	37,681,849
Total net position held in trust	$ 77,700,423
Statement of changes in net position	
Total additions	$169,298,909
Total deductions	167,321,348
Net increase	1,977,561
Net position held in trust:	
July 1, 2017	75,722,862
June 30, 2018	$ 77,700,423

Note 6 – Due from other governments

Amounts due from other governments at June 30, 2018, are shown as follows:

	Governmental activities			
	General fund	Public works fund	Other governmental funds	Total
State-shared sales tax	$ 447,526			$ 447,526
County excise tax	526,877	$258,360		785,237
State-shared vehicle license tax	69,960	42,470		112,430
State-shared liquor license tax	5,508			5,508
Highway user revenue		377,112		377,112
Grants and contributions from local, state, and federal governments			$836,016	836,016
Reimbursements for goods or services provided for governmental units	347,991	43,486	41,159	836,203
Miscellaneous	3,639			3,639
Total	$1,401,501	$721,428	$877,175	$3,403,671

Note 7 - Capital assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017 (as restated)	Increases	Decreases	Balance June 30, 2018
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 2,260,827	$ 2		$ 2,260,829
Construction in progress	3,374,306	312,330		3,686,636
Total capital assets not being depreciated	5,635,133	312,332		5,947,465
Capital assets being depreciated:				
Buildings	23,966,810	277,381		24,244,191
Improvements other than buildings	1,203,936	212,355		1,416,291
Machinery and equipment	26,304,866	1,113,571	$141,911	27,276,526
Infrastructure	20,553,503	176,261		20,729,764
Total capital assets being depreciated	72,029,115	1,779,568	141,911	73,666,772
Less accumulated depreciation for:				
Buildings	11,367,954	1,038,377		12,406,331
Improvements other than buildings	527,418	63,786		591,204
Machinery and equipment	22,418,716	1,052,580	141,911	23,329,385
Infrastructure	10,344,063	677,134		11,021,197
Total accumulated depreciation	44,658,151	2,831,877	141,911	47,348,117
Total capital assets being depreciated, net	27,370,964	(1,052,309)		26,318,655
Governmental activities, capital assets, net	$33,006,097	$ (739,977)	$	$32,266,120
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 3,000,000			$ 3,000,000
Construction in progress		$ 247,381		247,381
Total capital assets not being depreciated	3,000,000	247,381		3,247,381
Capital assets being depreciated:				
Machinery and equipment	2,981,545	55,169		3,036,714
Infrastructure	169,340			169,340
Total capital assets being depreciated	3,150,885	55,169		3,206,054
Less accumulated depreciation for:				
Machinery and equipment	2,712,669	65,209		2,777,878
Infrastructure	164,436	4,904		169,340
Total	2,877,105	70,113		2,947,218
Total capital assets being depreciated, net	273,780	(14,944)		258,836
Business-type activities, capital assets, net	$ 3,273,780	$ 232,437		$ 3,506,217

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	$1,090,297
Public safety	506,910
Highways and streets	1,125,104
Health	8,388
Welfare	19,496
Sanitation	25,782
Culture and recreation	55,900
Total governmental activities depreciation expense	$2,831,877
Business-type activities:	
Sanitation	$ 70,113

Note 8 – Significant construction commitments

At June 30, 2018, the County had major construction commitments related to various capital projects for the constructions of Tonto Creek Bridge, Gordon Canyon Bridge and the improvements of other bridges and roads. As of June 30, 2018, the County had spent $3,686,636 on these construction projects and reported the total amount in construction in progress. An estimated cost to complete these capital projects is approximately $29.3 million, which is predominantly financed by transportation excise tax, and state and federal grants.

Further, at June 30, 2018, the County had a major construction commitment related to a business-type capital project for the construction of Buckhead Mesa Landfill. As of June 30, 3018, the County had spent $247,381 on this project and reported the total amount in construction in progress. An estimated cost to complete this capital project is approximately $433,000, which will be financed by fees collected in the landfill enterprise fund.

Note 9 - Long-term liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2018:

	Balance July 1, 2017 (as restated)	Additions	Reductions	Balance June 30, 2018	Due within 1 year
Governmental activities					
Pledged revenue obligations payable	$ 7,190,721		$ 557,149	$ 6,633,573	$ 574,493
Revenue obligations premium payable	138,859		11,572	127,287	11,572
Capital leases payable	8,394		4,768	3,626	2,782
Net pension and other postemployment benefits liability	56,853,066	$4,195,946	2,253,446	58,795,566	
Compensated absences payable	1,438,728	1,498,558	1,449,045	1,488,241	1,439,069
Total governmental activities long-term liabilities	$65,629,768	$5,694,504	$4,275,980	$67,048,293	$2,027,916

	Balance July 1, 2017 (as restated)	Additions	Reductions	Balance June 30, 2018	Due within 1 year
Business-type activities					
Net pension and other postemployment benefits liability	$ 665,520		$ 57,063	$ 608,457	
Compensated absences payable	30,112	$ 29,112	28,138	31,086	$ 25,367
Landfill closure and postclosure care costs payable	3,520,369	441,630		3,961,999	
Total business-type activities long-term liabilities	$ 4,216,001	$ 470,742	$ 85,201	$ 4,601,542	$ 25,367

Series 2015 pledged revenue obligations—During the year ended June 30, 2015, the County issued $2 million in series 2015 pledged revenue obligations with an interest rate of 0.53-2.70 percent to purchase and remodel the Copper Administrative building, a used modular office building. The obligations are generally noncallable, with interest payable semiannually.

Series 2009 pledged revenue and pledged revenue refunding obligations—During the year ended June 30, 2010, the County issued $8 million in series 2009 pledged revenue obligations with an interest rate of 3-5 percent to finance renovation costs for a newly-acquired county administration building and several other County buildings, and to advance refund the outstanding 1999 Series A certificates of participation. The obligations are generally noncallable, with interest payable semiannually.

The following pledged revenue and pledged revenue refunding obligations were outstanding at June 30, 2018:

Description	Original amount issued	Interest rates	Maturities	Outstanding June 30, 2018
Gila County Pledged Revenue Obligations, Series 2009	$6,860,000	3-5%	2019-2029	$4,455,000
Gila County Pledged Revenue Refunding Obligations, Series 2009	1,140,000	3-5%	2019-2029	740,000
Gila County Pledged Revenue Obligations, Series 2015	2,000,000	0.53-2.70%	2019-2025	1,438,573
Total				$6,633,573

The following schedule details debt service requirements to maturity for the County's pledged revenue and pledged revenue refunding obligations payable at June 30, 2018:

	Governmental activities	
	Principal	Interest
Year ending June 30		
2019	$ 574,493	$ 269,878
2020	592,274	251,897
2021	615,549	232,822
2022	629,359	212,412
2023	653,794	190,977
2024-2028	2,978,105	559,087
2029	590,000	29,500
	$6,633,573	$1,746,573

The County has pledged a portion of its excise taxes and state sales tax revenues toward the payment of debt related to revenue obligations outstanding at June 30, 2018. At June 30, 2018, future pledged revenues through final maturity at July 1, 2029, totaled $8,380,146, consisting of $6,633,573 for principal and $1,746,573 for interest. Future principal and interest payments are expected to require less than 11% of pledged revenues. In the current year, total principal and interest paid, and total pledged resources were $843,971 and $8,004,097, respectively.

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

The amount recognized each year is based on landfill capacity used at the end of each fiscal year. The $3,961,998 reported as landfill closure and postclosure care liability at June 30, 2018, represents the cumulative amount reported to date based on the approximate use of 83 percent of the estimated capacity of the Buckhead Mesa Landfill and 65 percent of the Russell Gulch Landfill. The County will recognize the remaining estimated cost of closure and postclosure care of $1,286,057 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 2018.

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

According to state and federal laws and regulations, the County must comply with the local government financial test requirements that assure the County can meet the costs of landfill closure, postclosure, and corrective action when needed. In order to comply with the local government financial test requirements, the County established a restricted bank account with a cash balance that will cover the estimated landfill closure and postclosure care costs when Russell Gulch and Buckhead Mesa landfills are expected to close. The current balance is reported in the business-type activities statement of net position and the proprietary fund statement of net position as restricted cash. Although the restricted bank account is not one of the allowable mechanisms listed in 40 CFR 258.74, the Arizona Department Environmental Quality (ADEQ) approved the calendar year 2018 financial assurance demonstration for the Russell Gulch and Buckhead Mesa landfills and required the County to submit future financial assurance in compliance with 40 CFR §258.74.

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

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, 2018, the County paid for compensated absences as follows: 67 percent from the general fund, 10 percent from the public works fund, 2 percent from the landfill fund, and 21 percent from other funds.

Note 10 - Fund balance classifications of the governmental funds

The fund balance classifications of the governmental funds as of June 30, 2018, were as follows:

	General fund	Public works fund	Other governmental funds	Total
Fund balances:				
Nonspendable:				
Prepaid items	$ 21,017		$ 288	$ 21,305
Inventories	69,775			69,775
Total nonspendable	90,792		288	91,080
Restricted for:				
Public safety			21,515	21,515
Highways and streets		$10,216,087		10,216,087
Health services			876,366	876,366
Judicial activities			4,805,816	4,805,816
Law enforcement			800,505	800,505
Education			1,598,990	1,598,990
Sanitation			80,549	80,549
Social services			522,905	522,905
Library			259,381	259,381
Street lighting improvement			16,047	16,047
Capital projects	236			236
Other purposes			464,675	464,675
Total restricted	236	10,216,087	9,446,749	19,663,072
Assigned to:				
Contingency reserve	11,450,000			11,450,000
Education	3,599			3,599
Other purposes	628,253			628,253
Total assigned	12,081,852			12,081,852
Unassigned	3,382,552		(1,332,365)	2,050,187
Total fund balances	$15,555,432	$10,216,087	$ 8,114,672	$33,886,191

Note 11 - Risk management

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

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 12 member counties. The pool provides member counties catastrophic loss coverage for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters; and provides risk management services. Such coverage includes all defense costs as well as the amount of any judgment or settlement. The County is responsible for paying a premium based on its exposure in relation to the exposure of the other participants, and a deductible of $25,000 per occurrence for property claims and $25,000 per occurrence for liability claims. The County is also responsible for any payments in excess of the maximum coverage of $300 million per occurrence for property claims and $15 million per occurrence for liability claims. However, lower limits apply to certain categories of losses. A county must participate in the pool at least 3 years after becoming a member; however, it may withdraw after the initial 3-year period.

The Arizona Counties Workers' Compensation Pool is a public entity risk pool currently composed of 12 member counties. The pool provides member counties with workers' compensation coverage, as law requires, and risk management services. The County is responsible for paying a premium based on an experience-rating formula that allocates pool expenditures and liabilities among the members.

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

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

Note 12 – Operating lease

The County leases computer software, hardware and copier equipment under the provisions of long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of these operating leases were $95,693 for the year ended June 30, 2018. These operating leases have the remaining noncancelable terms of 3 to 4 years. The following future minimum payments were required under the operating lease at June 30, 2018:

Year ending June 30	**Governmental Activities**
2019	$100,131
2020	100,131
2021	100,131
2022	4,437
Total minimum lease payments	$304,829

Note 13 - Pension and other postemployment benefits

The County contributes to the pension plans which are component units of the State of Arizona. The County also contributes to various other postemployment benefits (OPEB) plans. At June 30, 2018, the County reported the following aggregate amounts related to pension and OPEB for all plans to which it contributes:

Statement of net position and statement of activities	**Governmental activities**	**Business-type activities**	**Total**
Net pension and OPEB asset	$ 680,916	$ 2,258	$ 683,174
Net pension and OPEB liabilities	58,795,566	608,457	59,404,023
Deferred outflows of resources related to pensions and OPEB	7,457,411	75,623	7,533,034
Deferred inflows of resources related to pensions and OPEB	5,712,381	70,706	5,783,087
Pension and OPEB expenses (income)	8,979,313	(15,451)	8,963,862

The County's accrued payroll and employee benefits includes $52,153 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2018. Also, the County reported $3,397,641 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

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

A. Arizona State Retirement System

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

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

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

*With actuarially reduced benefits.

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

Contributions—In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2018, statute required active ASRS members to contribute at the actuarially determined rate of 11.34 percent for retirement of the members' annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 10.9 percent for retirement of the active members' annual covered payroll. In addition, the County was required by statute to contribute at the actuarially determined rate of 9.26 percent for retirement of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the ASRS would typically fill. The County's contributions to the pension plan for the year ended June 30, 2018, were $1,850,254.

During fiscal year 2018, the County paid for ASRS pension contributions as follows: 60 percent from the general fund, 14 percent from the public works fund, 24 percent from other governmental funds, and 2 percent from the landfill fund.

Pension liability—At June 30, 2018, the County reported a liability of $25,870,469 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017, reflects a change in actuarial assumption related to changes in loads for future potential permanent benefit increases.

The County's proportion of the net liability was based on the County's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The County's proportion measured as of June 30, 2017, was 0.166070 percent, which was a decrease of 0.016600 from its proportion measured as of June 30, 2016.

The net pension liability measured as of June 30, 2018, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the County's net pension liability as a result of these changes is not known.

Pension expense and deferred outflows/inflows of resources—For the year ended June 30, 2018, the County recognized a negative pension expense for ASRS of $700,162. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience		$ 775,740
Changes of assumptions or other inputs	$1,123,613	773,573
Net difference between projected and actual earnings on pension plan investments	185,732	
Changes in proportion and differences between county contributions and proportionate share of contributions		1,524,517
County contributions subsequent to the measurement date	1,850,254	
Total	$3,159,599	$3,073,830

The $1,850,254 reported as deferred outflows of resources related to ASRS pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ending June 30	
2019	$(1,985,647)
2020	580,719
2021	235,541
2022	(595,098)

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

ASRS	
Actuarial valuation date	June 30, 2016
Actuarial roll forward date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3–6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.7 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ASRS Asset class	**Target allocation**	**Long-term expected arithmetic real rate of return**
Equity	58%	6.73%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	2%	3.84%
Total	100%	

Discount rate—The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the ASRS net pension liability to changes in the discount rate—The following table presents the County's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

ASRS	**1% Decrease (7%)**	**Current discount rate (8%)**	**1% Increase (9%)**
County's proportionate share of the net pension liability	$33,205,197	$25,870,469	$19,741,677

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

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

Plan descriptions—County sheriff employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers agent and cost sharing multiple-employer defined benefit pension plans. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool).

County detention officers, county dispatchers, and Administrative Office of the Courts (AOC) probation, surveillance, and juvenile detention officers participate in the Corrections Officer Retirement Plan (CORP). The CORP administers an agent multiple-employer defined benefit pension plan for county detention officers and dispatchers (agent plan), and a cost-sharing multiple-employer defined benefit pension plan for AOC officers (cost-sharing plan). The PSPRS Board of Trustees and the participating local boards govern CORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPRS and CORP plans. The report is available on the PSPRS website at www.psprs.com.

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

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

CORP	Initial membership date: Before January 1, 2012	On or after January 1, 2012
Retirement and disability		
Years of service and age required to receive benefit	Sum of years and age equals 80 25 years any age (dispatchers) 20 years any age (all others) 10 years age 62	25 years age 52.5 10 years age 62
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent		
Normal retirement	2.0% to 2.5% per year of credited service, not to exceed 80%	
Accidental disability retirement	50% or normal retirement if more than 20 years of credited service	50% or normal retirement if more than 25 years of credited service
Total and permanent disability retirement	50% or normal retirement if more than 25 years of credited service	
Ordinary disability retirement	2.5% per year of credited service	
Survivor benefit		
Retired members	80% of retired member's pension benefit	

CORP	Initial membership date:	
	Before January 1, 2012	**On or after January 1, 2012**
Active members	40% of average monthly compensation or 100% of average monthly compensation if death was the result of injuries received on the job. If there is no surviving spouse or eligible children, the beneficiary is entitled to 2 times the member's contributions.	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments. The adjustments are based on inflation for PSPRS and excess investment earnings for CORP. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Employees covered by benefit terms—At June 30, 2018, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Sheriff	CORP Detention	CORP Dispatchers
Inactive employees or beneficiaries currently receiving benefits	34	10	3
Inactive employees entitled to but not yet receiving benefits	9	32	4
Active employees	40	61	5
Total	83	103	12

Contributions—State statutes establish the pension contribution requirements for active PSPRS and CORP employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS and CORP pension benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2018, are indicated below. Rates are a percentage of active members' annual covered payroll.

	Active member—pension	County—pension
PSPRS Sheriff	7.65 – 11.65%	36.30 – 51.45%
PSPRS Tier 3 Risk Pool	9.94	9.68
CORP Detention	8.41	10.46
CORP Dispatchers	7.96	25.82
CORP AOC	8.41	22.51

Also, statute required the County to contribute at the actuarially determined rate of 36.96 percent for pension of the annual covered payroll of county sheriff employees who were PSPRS Tier 3 Risk Pool members, in addition to the County's required contributions to the PSPRS Tier 3 Risk Pool for these county sheriff employees.

In addition, statute required the County to contribute at the actuarially determined rate indicated below of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the PSPRS or CORP would typically fill.

	Pension
PSPRS Sheriff	35.78%
CORP Detention	6

The County's contributions to the pension plans for the year ended June 30, 2018, were:

PSPRS Sheriff	PSPRS Tier 3 Risk Pool	CORP Detention	CORP Dispatchers	CORP AOC
$886,696	$5,388	$238,843	$47,658	$228,649

During fiscal year 2018, the County paid for PSPRS and CORP pension contributions as follows: 85 percent from the general fund and 15 percent from other governmental funds.

Pension liability—At June 30, 2018, the County reported the following net pension liabilities:

	Net pension liability
PSPRS Sheriff	$12,738,849
CORP Detention	2,109,525
CORP Dispatchers	1,033,020
CORP AOC (County's proportionate share)	3,907,213

The net pension liabilities were measured as of June 30, 2017, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2017, reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4 percent to 3.5 percent, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liabilities for CORP and CORP AOC also reflect changes of benefit terms for a court decision that increased cost-of-living adjustments for retirees who became members before July 20, 2011. The total pension liabilities for PSPRS also reflect changes of benefit terms for legislation that changed benefit eligibility and multipliers for employees who became members on or after January 1, 2012, and before July 1, 2017, and a court decision that decreased the contribution rates for employees who became members before July 20, 2011. The court decision will also affect the PSPRS net pension liabilities measured as of June 30, 2018, because of refunds of excess member contributions. The change in the County's PSPRS net pension liabilities as a result of the refunds is not known.

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

PSPRS and CORP—pension	
Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	7.4%
Wage inflation	3.5
Price inflation	2.5%
Permanent benefit increase	Included
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS and CORP pension plan investments was determined to be 7.4 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

PSPRS and CORP Asset class	Target allocation	Long-term expected geometric real rate of return
Short term investments	2%	0.25%
Absolute return	2%	3.75%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTAA	10%	3.96%
Private credit	12%	6.75%
Real estate	10%	3.75%
Credit opportunities	16%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	16%	7.60%
Total	100%	

Pension discount rate—At June 30, 2017, the discount rate used to measure the PSPRS and CORP total pension liabilities was 7.4 percent, which was a decrease of 0.1 percent from the discount rate used as of June 30, 2016. The projection of cash flows used to determine the PSPRS and CORP discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the net pension liability

PSPRS Sheriff	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a) – (b)
Balances at June 30, 2017	$18,126,478	$6,231,257	$11,895,221
Changes for the year:			
Service cost	502,240		502,240
Interest on the total pension liability	1,326,313		1,326,313
Change of benefit terms	309,993		309,993
Differences between expected and actual experience in the measurement of the pension liability	(278,317)		(278,317)
Changes of assumptions or other inputs	878,607		878,607
Contributions—employer		951,182	(951,182)
Contributions—employee		245,455	(245,455)
Net investment income		723,993	(723,993)
Benefit payments, including refunds of employee contributions	(1,386,848)	(1,386,848)	
Administrative expense		(6,806)	6,806
Other changes		(18,616)	18,616
Net changes	1,351,988	508,360	843,628
Balances at June 30, 2018	$19,478,466	$6,739,617	$12,738,849

CORP Detention	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a) – (b)
Balances at June 30, 2017	$5,569,167	$4,186,346	$1,382,821
Changes for the year:			
Service cost	365,615		365,615
Interest on the total pension liability	420,698		420,698
Changes of benefit terms	997,825		997,825
Differences between expected and actual experience in the measurement of the pension liability	(273,466)		(273,466)
Changes of assumptions or other inputs	115,544		115,544
Contributions—employer		204,740	(204,740)
Contributions—employee		197,659	(197,659)
Net investment income		501,516	(501,516)
Benefit payments, including refunds of employee contributions	(285,348)	(285,348)	
Administrative expense		(4,787)	4,787
Other changes		384	(384)
Net changes	1,340,868	614,164	726,704
Balances at June 30, 2018	$6,910,035	$4,800,510	$2,109,525

CORP Dispatchers	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a) – (b)
Balances at June 30, 2017	$1,995,703	$1,203,876	$791,827
Changes for the year:			
Service cost	32,295		32,295
Interest on the total pension liability	147,775		147,775
Changes of benefit terms	384,994		384,994
Differences between expected and actual experience in the measurement of the pension liability	(172,751)		(172,751)
Changes of assumptions or other inputs	43,923		43,923
Contributions—employer		37,583	(37,583)
Contributions—employee		17,241	(17,241)
Net investment income		141,868	(141,868)
Benefit payments, including refunds of employee contributions	(83,034)	(83,034)	
Administrative expense		(1,641)	1,641
Other changes		(8)	8
Net changes	353,202	112,009	241,193
Balances at June 30, 2018	$2,348,905	$1,315,885	$1,033,020

The County's proportion of the CORP AOC net pension liability was based on the County's actual contributions to the plan relative to the total of all participating counties' actual contributions for the year ended June 30, 2017. The County's proportion measured as of June 30, 2017, was 0.973835 percent, which was a decrease of 0.339057 from its proportion measured as of June 30, 2016.

Sensitivity of the County's net pension liability to changes in the discount rate—The following table presents the County's net pension liabilities calculated using the discount rate of 7.4 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.4 percent) or 1 percentage point higher (8.4 percent) than the current rate:

	1% Decrease 6.4%	Current discount rate 7.4%	1% Increase 8.4%
PSPRS Sheriff			
Net pension liability	$15,243,449	$12,738,849	$10,680,237
CORP Detention			
Net pension liability	$3,181,251	$2,109,525	$1,247,182
CORP Dispatchers			
Net pension liability	$1,353,137	$1,033,020	$770,701
CORP AOC			
County's proportionate share of the net pension liability	$5,050,539	$3,907,213	$2,982,598

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

Pension expense—For the year ended June 30, 2018, the County recognized the following pension expense:

	Pension expense
PSPRS Sheriff	$2,064,330
CORP Detention	1,305,202
CORP Dispatchers	458,181
CORP AOC (County's proportionate share)	1,307,605

Pension deferred outflows/inflows of resources—At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS Sheriff	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience		$445,339
Changes of assumptions or other inputs	$1,017,535	
Net difference between projected and actual earnings on pension plan investments	99,773	
County contributions subsequent to the measurement date	886,696	
Total	$2,004,004	$445,339

CORP Detention	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$142,802	$316,748
Changes of assumptions or other inputs	247,451	
Net difference between projected and actual earnings on pension plan investments	57,568	
County contributions subsequent to the measurement date	238,843	
Total	$629,096	$316,748

CORP Dispatchers	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 39,906	$120,954
Changes of assumptions or other inputs	61,347	
Net difference between projected and actual earnings on pension plan investments	18,708	
County contributions subsequent to the measurement date	47,658	
Total	$167,619	$120,954

CORP AOC	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 35,777	$134,193
Changes of assumptions or other inputs	379,365	
Net difference between projected and actual earnings on pension plan investments	46,009	
Changes in proportion and differences between county contributions and proportionate share of contributions		853,810
County contributions subsequent to the measurement date	228,649	
Total	$689,800	$988,003

The County also reported deferred outflows of resources for the PSPRS Tier 3 Risk Pool for county pension contribution subsequent to the measurement date of $5,388.

The amounts reported as deferred outflows of resources related to pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30	PSPRS Sheriff	CORP Detention	CORP Dispatchers	CORP AOC
2019	$203,559	$ 33,930	$ 2,604	$(102,400)
2020	276,842	81,430	3,335	(111,149)
2021	189,757	81,743	3,609	(149,694)
2022	1,811	(66,030)	(10,541)	(163,609)

C. Elected Officials Retirement Plan

Plan description—Elected officials and judges participate in the Elected Officials Retirement Plan (EORP), ASRS, or the Elected Officials Defined Contribution Retirement System (EODCRS). EORP administers a cost-sharing multiple-employer defined benefit pension plan for elected officials and judges who were members of the plan on December 31, 2013. This plan was closed to new members as of January 1, 2014. The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the EORP plans. The report is available on PSPRS's website at www.psprs.com.

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

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

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

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

Contributions—State statutes establish active member and employer contribution requirements. Statute also appropriates $5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability and designates a portion of certain court fees for the EORP. For the year ended June 30, 2018, statute required active EORP members to contribute 7 or 13 percent of the members' annual covered payroll and the County to contribute 23.5 percent of all active EORP members' annual covered payroll. Also, statute required the County to contribute 12.16 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 17.50 percent to EORP of the annual covered payroll of elected officials and judges who were EODCRS members, in addition to the County's required contributions to ASRS and EODCRS for these elected officials and judges. The County's contributions to the pension plan for the year ended June 30, 2018, were $76,787.

During fiscal year 2018, the County paid for EORP pension contributions as follows: 100 percent from the general fund.

Pension liability—At June 30, 2018, the County reported a liability for its proportionate share of the EORP's net pension liability that reflected a reduction for the County's proportionate share of the State's appropriation for EORP. The amount the County recognized as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the County were as follows:

County's proportionate share of the EORP net pension liability	$13,627,485
State's proportionate share of the EORP net pension liability associated with the County	2,828,330
Total	$16,455,815

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2017, reflects changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4 percent to 3.5 percent, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liability also reflects changes-of-benefit terms for a court decision that increased cost-of-living adjustments for retirees and decreased the contribution rates for employees who became members before July 20, 2011. The court decision will also affect the net pension liability measured as of June 30, 2018, because of refunds of excess member contributions. The change in the County's net pension liability as a result of the refunds is not known.

The County's proportion of the net pension liability was based on the County's actual contributions to the plan relative to the total of all participating employers' actual contributions for the year ended June 30, 2017. The County's proportion measured as of June 30, 2017, was 1.1183300 percent, which was a decrease of 0.0931942 from its proportion measured as of June 30, 2016.

Pension expense and deferred outflows/inflows of resources—For the year ended June 30, 2018, the County recognized pension expense for EORP of $4,457,527 and revenue of $972,348 for the County's proportionate share of the State's appropriation to EORP and the designated court fees. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

EORP	**Deferred outflows of resources**	**Deferred inflows of resources**
Differences between expected and actual experience		$118,120
Changes of assumptions or other inputs	$531,908	
Net difference between projected and actual earnings on pension plan investments	83,525	
Changes in proportion and differences between county contributions and proportionate share of contributions		474,299
County contributions subsequent to the measurement date	76,787	
Total	$692,220	$592,419

The $76,787 reported as deferred outflows of resources related to EORP pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized in pension expense as follows:

Year ending June 30	
2019	$ 2,629
2020	25,273
2021	22,070
2022	(26,958)

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

EORP	
Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	7.4%
Wage inflation	3.5%
Price inflation	2.5%
Permanent benefit increase	Included
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on EORP pension plan investments was determined to be 7.4 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

EORP **Asset class**	**Target allocation**	**Long-term expected arithmetic real rate of return**
Short-term investments	2%	0.25%
Absolute return	2%	3.75%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTAA	10%	3.96%
Private credit	12%	6.75%
Real estate	10%	3.75%
Credit opportunities	16%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	16%	7.60%
Total	100%	

Discount rate—At June 30, 2017, the discount rate used to measure the EORP total pension liability was 3.91 percent, which was an increase of 0.23 from the discount rate used as of June 30, 2016. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the statutorily set rates, and state contributions will be made as currently required by statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members. Therefore, to determine the total pension liability for the plan, the long-term expected rate of return on pension plan investments of 7.4 percent was applied to periods of projected benefit payments through the year ended June 30, 2026. A municipal bond rate of 3.56 percent obtained from the Fidelity 20-year Municipal GO AA Index as of June 30, 2017, was applied to periods of projected benefit payments after June 30, 2026.

Sensitivity of the County's proportionate share of the EORP net pension liability to changes in the discount rate—The following table presents the County's proportionate share of the net pension liability calculated using the discount rate of 3.91 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.91 percent) or 1 percentage point higher (4.91 percent) than the current rate:

EORP	1% Decrease (2.91%)	Current discount rate (3.91%)	1% Increase (4.91%)
County's proportionate share of the net pension liability	$16,097,660	$13,627,485	$11,612,894

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

EODCRS plan—Elected officials and judges that are not members of EORP or ASRS participate in the EODCRS. The EODCRS is a defined contribution pension plan. The PSPRS Board of Trustees governs the EODCRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 3.1. Benefit terms, including contribution requirements, are established by state statute. For the year ended June 30, 2018, active EODCRS members were required by statute to contribute 8 percent of the members' annual covered payroll, and the County was required by statute to contribute 6 percent of active members' annual covered payroll to an individual employee account. Employees are immediately vested in their own contributions and the County's contributions to the individual employee account and the earnings on those contributions. For the year ended June 30, 2018, the County recognized pension expense of $11,676.

Note 14 - Interfund balances and activity

Interfund receivables and payables—Interfund balances at June 30, 2018, were as follows:

	Payable to General Fund
Payable from	
Other Governmental Funds	$40,093

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

Interfund transfers—Interfund transfers for the year ended June 30, 2018, were as follows:

	General Fund	Public Works Fund	Other Governmental Funds	Total
Transfers from				
General Fund		$77,748	$1,593,715	$1,671,463
Other Governmental Funds	$118,385			118,385
	$118,385	$77,748	$1,593,715	$1,789,848

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

Note 15 – Subsequent events

In October 2019, Gila County issued $14,995,005 of series 2019 pledged revenue obligations with interest rates between 2.00 percent and 5.00 percent and a final maturity date of July 1, 2039. The County has pledged a portion of its general county excise tax revenues toward the future payment of debt related to these obligations. The net proceeds will be used to refund the remainder of the 2009 Series pledged revenue obligations in the amount of $4,815,000 and for capital projects including new construction and remodeling of County facilities in Globe and Payson, Arizona. New construction includes an Animal Care and Control facility and site improvements in Globe, Arizona and a new multipurpose building and site improvements in Payson, Arizona. Capital projects also include purchasing a building to house the Probation Department and teen center in Payson, remodeling the Sheriff's Office, Administration offices, and Health Department in Payson, and Gila County Jail building improvements.

Other Required Supplementary Information

Gila County
Required supplementary information
Budgetary comparison schedule
General fund
Year ended June 30, 2018

	Original and final budgeted amounts	Actual amounts	Variance with final budget
Revenues:			
Taxes	$ 23,590,414	$ 23,352,698	$ (237,716)
Licenses and permits	456,000	587,338	131,338
Intergovernmental	13,405,832	14,378,356	972,524
Charges for services	718,560	1,009,167	290,607
Fines and forfeitures	427,633	413,234	(14,399)
Donations and contributions	47	154	107
Investment earnings	125,000	158,814	33,814
Miscellaneous	106,410	793,512	687,102
Total revenues	38,829,896	40,693,273	1,863,377
Expenditures:			
Current:			
General government			
Administrative services	142,543	139,784	2,759
Assessor	1,108,429	897,398	211,031
Board of supervisors	1,297,371	1,223,503	73,868
Community development	1,127,644	955,117	172,527
Computer services	1,041,060	966,311	74,749
Constituent services	270,000	179,061	90,939
Elections	411,484	328,067	83,417
Facilities management	2,405,653	1,952,006	453,647
Finance/purchasing	957,250	835,337	121,913
General administration	895,322	684,318	211,004
Personnel	834,562	759,514	75,048
Professional services	736,800	1,105,818	(369,018)
Recorder	712,235	534,083	178,152
Treasurer	525,193	479,334	45,859
Contingency reserve	400,000		400,000
Taxpayer stabilization (funds 1003, 1004 & 1006)	13,500,000		13,500,000

(Continued)

See accompanying notes to budgetary comparison schedule.

Gila County
Required supplementary information
Budgetary comparison schedule
General fund
Year ended June 30, 2018
(Continued)

	Original and final budgeted amounts	Actual amounts	Variance with final budget
Judicial services			
County attorney	$ 2,438,550	$ 2,113,291	$ 325,259
County attorney—child support		12,008	(12,008)
Constable—Globe	166,346	133,035	33,311
Constable—Payson	190,011	188,557	1,454
Justice Court—Globe	677,889	580,255	97,634
Justice Court—Payson	603,658	540,573	63,085
Indigent legal defense	1,289,430	1,271,080	18,350
Clerk of the superior court	1,435,625	1,308,110	127,515
Superior Court—Division I	162,265	158,342	3,923
Superior Court—Division II	157,894	156,836	1,058
Superior Court—General	870,667	853,570	17,097
Court system multi-information systems		3,222	(3,222)
Total general government	34,357,881	18,358,530	15,999,351
Public safety			
County sheriff (facilities management)	12,666,451	11,652,233	1,014,218
Emergency services (including GIS Rural Addressing)	284,406	317,994	(33,588)
Flood plain management	215,740	211,291	4,449
Juvenile detention	830,055	729,584	100,471
Probation	966,981	853,631	113,350
Total public safety	14,963,633	13,764,733	1,198,900
Welfare			
AHCCCS contributions	2,943,700	3,683,648	(739,948)
Community agencies	201,000	356,000	(155,000)
Public fiduciary	478,781	468,931	9,850
Total welfare	3,623,481	4,508,579	(885,098)

(Continued)

See accompanying notes to budgetary comparison schedule.

Gila County
Required supplementary information
Budgetary comparison schedule
General fund
Year ended June 30, 2018
(Concluded)

	Original and final budgeted amounts	Actual amounts	Variance with final budget
Education			
School superintendent	$ 375,296	$ 1,675,285	$ (1,299,989)
Total education	375,296	1,675,285	(1,299,989)
Capital outlay	4,830,108	1,511,394	3,318,714
Debt service	852,500	845,752	6,748
Total expenditures	59,002,899	40,664,273	18,338,626
Excess (deficiency) of revenues over expenditures	(20,173,003)	29,000	20,202,003
Other financing sources (uses)			
Indirect costs		335,575	335,575
Transfers in		118,385	118,385
Transfers out	(1,655,232)	(1,671,463)	(16,231)
Total other financing sources (uses)	(1,655,232)	(1,217,503)	437,729
Net change in fund balances	(21,828,235)	(1,188,503)	20,639,732
Fund balances, July 1, 2017	21,828,235	16,812,575	(5,015,660)
Decrease in reserve for inventories		(68,640)	(68,640)
Fund balances, June 30, 2018	$ -	$ 15,555,432	$ 15,555,432

See accompanying notes to budgetary comparison schedule.

Gila County
Required supplementary information
Budgetary comparison schedule
Public works fund
Year ended June 30, 2018

	Original and final budgeted amounts	Actual amounts	Variance with final budget
Revenues:			
Taxes	$ 1,365,000	$ 1,516,522	$ 151,522
Licenses and permits	2,700	12,745	10,045
Intergovernmental	4,820,000	5,156,269	336,269
Investment earnings	61,000	78,545	17,545
Donations and contributions	15,000	15,000	
Miscellaneous	60,000	85,709	25,709
Total revenues	6,323,700	6,864,790	541,090
Expenditures:			
Highways and streets	10,765,214	6,928,778	3,836,436
Total expenditures	10,765,214	6,928,778	3,836,436
Excess (deficiency) of revenues over expenditures	(4,441,514)	(63,988)	4,377,526
Other financing sources (uses):			
Proceeds from sale of capital assets		41,966	41,966
Transfers in		77,748	(77,748)
Total other financing sources and uses		119,714	(35,782)
Net change in fund balances	(4,441,514)	55,726	4,497,240
Fund balances, July 1, 2017	4,441,514	10,232,578	5,791,064
Increase in reserve for inventory		(72,217)	(72,217)
Fund balances, June 30, 2018	$ -	$10,216,087	$10,216,087

See accompanying notes to budgetary comparison schedule.

Gila County
Required supplementary information
Notes to budgetary comparison schedules
June 30, 2018

Note 1 - Budgeting and budgetary control

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

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

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

Note 2 – Budgetary basis of accounting

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

	General fund
Excess of revenues over expenditures from the statement of revenues, expenditures, and changes in fund balances	$ 364,575
Indirect cost expenditures allocated to other county funds	(335,575)
Excess of revenues over expenditures from the budgetary comparison schedule	$ 29,000

Note 3 - Expenditures in excess of appropriations

For the year ended June 30, 2018, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

Fund/department	Excess
General fund:	
Professional Services	$ 369,018
County Attorney – Child Support	12,008
Court System Multi-Information Systems	3,222
Emergency Services	33,588
AHCCCS Contributions	739,948
Community Agencies	155,000
School Superintendent	1,299,989

The excesses were primarily the result of unexpected expenditures or expenditures made as a result of unanticipated revenues, or both. When departments exceed their annual budget, the County Finance Department closely monitors departmental spending and discusses the overage with the departments to improve the accuracy of the budget and improve budget control. Material unbudgeted expenditures will be referred to the Board of Supervisors for approval of a budget transfer from contingency or other appropriate funds.

During fiscal year 2018, the County School Superintendent's Office received national forest monies of $1,299,989 and passed them through to the school districts, which was not budgeted and accounted for the entire excess amount.

Gila County
Required supplementary information
Schedule of the County's proportionate share of the net pension liability
Cost-sharing pension plans
June 30, 2018

Arizona State Retirement System

	Reporting fiscal year (Measurement date)				
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2009
County's proportion of the net pension liability	0.17%	0.17%	0.18%	0.19%	
County's proportionate share of the net pension liability	$25,870,469	$28,096,646	$28,452,591	$28,415,012	
County's covered payroll	$16,996,911	$16,464,044	$16,959,971	$17,866,484	Information not available
County's proportionate share of the net pension liability as a percentage of its covered payroll	152.21%	170.65%	167.76%	159.04%	
Plan fiduciary net position as a percentage of the total pension liability	69.92%	67.06%	68.35%	69.49%	

Corrections Officer Retirement Plan—Administrative Office of the Courts

	Reporting fiscal year (Measurement date)				
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2009
County's proportion of the net pension liability	0.97%	1.31%	1.38%	1.55%	
County's proportionate share of the net pension liability	$ 3,907,213	$ 3,704,368	$ 3,344,124	$ 3,475,563	
County's covered payroll	$ 1,143,874	$ 1,452,609	$ 1,539,683	$ 1,667,965	Information not available
County's proportionate share of the net pension liability as a percentage of its covered payroll	341.58%	255.01%	217.20%	208.37%	
Plan fiduciary net position as a percentage of the total pension liability	49.21%	54.81%	57.89%	58.59%	

Elected Officials Retirement Plan

	Reporting fiscal year (Measurement date)				
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2009
County's proportion of the net pension liability	1.12%	1.21%	1.26%	1.29%	
County's proportionate share of the net pension liability	$13,627,485	$11,445,909	$ 9,861,197	$ 8,628,523	
State's proportionate share of the net pension liability associated with the County	2,828,330	2,363,282	3,074,311	2,645,585	
Total	$16,455,815	$13,809,191	$12,935,508	$11,274,108	Information not available
County's covered payroll	$ 959,940	$ 977,941	$ 1,134,316	$ 1,182,686	
County's proportionate share of the net pension liability as a percentage of its covered payroll	1419.62%	1170.41%	869.35%	729.57%	
Plan fiduciary net position as a percentage of the total pension liability	19.66%	23.42%	28.32%	31.91%	

See accompanying notes to pension plan schedules.

Gila County
Required supplementary information
Schedule of changes in the County's net pension liability and related ratios
Agent pension plans
June 30, 2018

PSPRS Sheriff

	Reporting fiscal year (Measurement date) 2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2009
Total pension liability					
Service cost	$ 502,240	$ 403,538	$ 299,129	$ 367,275	
Interest on the total pension liability	1,326,313	1,325,851	1,290,430	1,044,461	
Changes of benefit terms	309,993	134,564		451,808	
Differences between expected and actual experience in the measurement of the pension liability	(278,317)	(416,800)	(29,030)	94,471	
Changes of assumptions or other inputs	878,607	632,607		2,180,190	
Benefit payments, including refunds of employee contributions	(1,386,848)	(1,282,671)	(1,040,337)	(901,225)	
Net change in total pension liability	1,351,988	797,089	520,192	3,236,980	
Total pension liability—beginning	18,126,478	17,329,389	16,809,197	13,572,217	
Total pension liability—ending (a)	$ 19,478,466	$ 18,126,478	$ 17,329,389	$ 16,809,197	
Plan fiduciary net position					
Contributions—employer	$ 951,182	$ 867,460	$ 641,694	$ 520,920	
Contributions—employee	245,455	243,186	211,706	175,906	
Net investment income	723,993	37,079	230,228	792,461	Information not available
Benefit payments, including refunds of employee contributions	(1,386,848)	(1,282,671)	(1,040,337)	(901,225)	
Administrative expense	(6,806)	(5,735)	(5,984)	(6,383)	
Other changes	(18,616)	10,578	(47,732)	87,607	
Net change in plan fiduciary net position	508,360	(130,103)	(10,425)	669,286	
Plan fiduciary net position—beginning	6,231,257	6,361,360	6,371,785	5,702,499	
Plan fiduciary net position—ending (b)	$ 6,739,617	$ 6,231,257	$ 6,361,360	$ 6,371,785	
County's net pension liability—ending (a) – (b)	$ 12,738,849	$ 11,895,221	$ 10,968,029	$ 10,437,412	
Plan fiduciary net position as a percentage of the total pension liability	34.60%	34.38%	36.71%	37.91%	
Covered payroll	$ 2,362,113	$ 2,167,935	$ 2,001,288	$ 1,895,363	
County's net pension liability as a percentage of covered payroll	539.30%	548.69%	548.05%	550.68%	

See accompanying notes to pension plan schedules.

Gila County

Required supplementary information
Schedule of changes in the County's net pension liability and related ratios
Agent pension plans
June 30, 2018

CORP Detention

	Reporting fiscal year (Measurement date)				
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2009
Total pension liability					
Service cost	$ 365,615	$ 341,734	$ 322,777	$ 349,379	
Interest on the total pension liability	420,698	368,315	353,739	322,522	
Changes of benefit terms	997,825	10,391		24,688	
Differences between expected and actual experience in the measurement of the pension liability	(273,466)	238,078	(184,916)	(181,113)	
Changes of assumptions or other inputs	115,544	218,760		155,825	
Benefit payments, including refunds of employee contributions	(285,348)	(258,317)	(372,466)	(148,202)	
Net change in total pension liability	1,340,868	918,961	119,134	523,099	
Total pension liability—beginning	5,569,167	4,650,206	4,531,072	4,007,973	
Total pension liability—ending (a)	$ 6,910,035	$ 5,569,167	$ 4,650,206	$ 4,531,072	
Plan fiduciary net position					
Contributions—employer	$ 204,740	$ 191,008	$ 181,989	$ 191,319	
Contributions—employee	197,659	187,968	188,093	186,454	
Net investment income	501,516	25,007	144,624	461,443	Information not available
Benefit payments, including refunds of employee contributions	(285,348)	(258,317)	(372,466)	(148,202)	
Administrative expense	(4,787)	(3,936)	(3,947)	(3,628)	
Other changes	384	8,800	(3,075)	(544)	
Net change in plan fiduciary net position	614,164	150,530	135,218	686,842	
Plan fiduciary net position—beginning	4,186,346	4,035,816	3,900,598	3,213,756	
Plan fiduciary net position—ending (b)	$ 4,800,510	$ 4,186,346	$ 4,035,816	$ 3,900,598	
County’s net pension liability—ending (a) – (b)	$ 2,109,525	$ 1,382,821	$ 614,390	$ 630,474	
Plan fiduciary net position as a percentage of the total pension liability	69.47%	75.17%	86.79%	86.09%	
Covered payroll	$ 2,552,674	$ 2,226,105	$ 2,058,827	$ 2,074,538	
County’s net pension liability as a percentage of covered payroll	82.64%	62.12%	29.84%	30.39%	

See accompanying notes to pension plan schedules.

Gila County

Required supplementary information
Schedule of changes in the County's net pension liability and related ratios
Agent pension plans
June 30, 2018

CORP Dispatchers

	Reporting fiscal year (Measurement date) 2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2009
Total pension liability					
Service cost	$ 32,295	$ 35,574	$ 30,280	$ 39,102	
Interest on the total pension liability	147,775	140,477	130,939	127,496	
Changes of benefit terms	384,994	6,381		12,908	
Differences between expected and actual experience in the measurement of the pension liability	(172,751)	47,078	59,963	(103,659)	
Changes of assumptions or other inputs	43,923	56,724		80,874	
Benefit payments, including refunds of employee contributions	(83,034)	(124,520)	(80,128)	(136,774)	
Net change in total pension liability	353,202	161,714	141,054	19,947	
Total pension liability—beginning	1,995,703	1,833,989	1,692,935	1,672,988	
Total pension liability—ending (a)	$ 2,348,905	$ 1,995,703	$ 1,833,989	$ 1,692,935	
Plan fiduciary net position					
Contributions—employer	$ 37,583	$ 35,930	$ 30,530	$ 26,396	
Contributions—employee	17,241	20,184	20,252	20,281	
Net investment income	141,868	7,545	45,656	158,620	Information not available
Benefit payments, including refunds of employee contributions	(83,034)	(124,520)	(80,128)	(136,774)	
Administrative expense	(1,641)	(1,467)	(1,505)	(1,247)	
Other changes	(8)	(9)	(1,172)	(19,995)	
Net change in plan fiduciary net position	112,009	(62,337)	13,633	47,281	
Plan fiduciary net position—beginning	1,203,876	1,266,213	1,252,580	1,205,299	
Plan fiduciary net position—ending (b)	$ 1,315,885	$ 1,203,876	$ 1,266,213	$ 1,252,580	
County's net pension liability—ending (a) – (b)	$ 1,033,020	$ 791,827	$ 567,776	$ 440,355	
Plan fiduciary net position as a percentage of the total pension liability	56.02%	60.32%	69.04%	73.99%	
Covered payroll	$ 226,100	$ 254,265	$ 254,000	$ 254,265	
County's net pension liability as a percentage of covered payroll	456.89%	311.42%	223.53%	173.19%	

See accompanying notes to pension plan schedules.

Gila County
Required supplementary information
Schedule of county pension contributions
June 30, 2018

Arizona State Retirement System

	Reporting fiscal year					
	2018	2017	2016	2015	2014	2013-2009
Statutorily required contribution	$ 1,850,254	$ 1,746,245	$ 1,768,338	$ 1,832,179	$ 1,852,259	Information not available
County's contributions in relation to the statutorily required contribution	1,850,254	1,746,245	1,768,338	1,832,179	1,852,259	
County's contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	
County's covered payroll	$ 17,311,838	$ 16,996,911	$ 16,464,044	$ 16,959,971	$ 17,866,484	
County's contributions as a percentage of covered payroll	10.69%	10.27%	10.74%	10.80%	10.37%	

Corrections Officer Retirement Plan—Administrative Office of the Courts

	Reporting fiscal year					
	2018	2017	2016	2015	2014	2013-2009
Statutorily required contribution	$ 228,649	$ 218,961	$ 276,212	$ 227,801	$ 240,875	Information not available
County's contributions in relation to the statutorily required contribution	228,649	218,961	276,212	227,801	240,875	
County's contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	
County's covered payroll	$ 1,000,857	$ 1,143,874	$ 1,452,609	$ 1,539,683	$ 1,667,965	
County's contributions as a percentage of covered payroll	22.85%	19.14%	19.01%	14.80%	14.44%	

Elected Officials Retirement Plan

	Reporting fiscal year					
	2018	2017	2016	2015	2014	2013-2009
Statutorily required contribution	$ 257,846	$ 208,566	$ 250,016	$ 265,481	$ 274,171	Information not available
County's contributions in relation to the statutorily required contribution	76,787	208,566	250,016	265,481	274,171	
County's contribution deficiency (excess)	$ 181,059	$ -	$ -	$ -	$ -	
County's covered payroll	$ 990,519	$ 959,940	$ 977,941	$ 1,134,316	$ 1,182,686	
County's contributions as a percentage of covered payroll	7.75%	21.73%	25.57%	23.40%	23.18%	

See accompanying notes to pension plan schedules.

Gila County

Required supplementary information
Schedule of county pension contributions
June 30, 2018

PSPRS Sheriff

	Reporting fiscal year					
	2018	2017	2016	2015	2014	2013-2009
Actuarially determined contribution	$ 1,119,625	$ 1,102,871	$ 1,210,141	$ 641,694	$ 520,920	Information not available
County's contributions in relation to the actuarially determined contribution	886,696	951,182	867,460	641,694	520,920	
County's contribution deficiency (excess)	$ 232,929	$ 151,689	$ 342,681	$ -	$ -	
County's covered payroll	$ 2,264,762	$ 2,362,113	$ 2,167,935	$ 2,001,288	$ 1,895,363	
County's contributions as a percentage of covered payroll	39.15%	40.27%	40.01%	32.06%	27.48%	

CORP Detention

	Reporting fiscal year					
	2018	2017	2016	2015	2014	2013-2009
Actuarially determined contribution	$ 238,843	$ 221,827	$ 208,141	$ 181,989	$ 191,319	Information not available
County's contributions in relation to the actuarially determined contribution	238,843	204,740	191,008	181,989	191,319	
County's contribution deficiency (excess)	$ -	$ 17,087	$ 17,133	$ -	$ -	
County's covered payroll	$ 2,368,007	$ 2,552,674	$ 2,226,105	$ 2,058,827	$ 2,074,538	
County's contributions as a percentage of covered payroll	10.09%	8.02%	8.58%	8.84%	9.22%	

CORP Dispatchers

	Reporting fiscal year					
	2018	2017	2016	2015	2014	2013-2009
Actuarially determined contribution	$ 47,658	$ 44,926	$ 47,090	$ 30,530	$ 26,396	Information not available
County's contributions in relation to the actuarially determined contribution	47,658	37,583	35,930	30,530	26,396	
County's contribution deficiency (excess)	$ -	$ 7,343	$ 11,160	$ -	$ -	
County's covered payroll	$ 184,578	$ 226,100	$ 254,265	$ 254,000	$ 254,265	
County's contributions as a percentage of covered payroll	25.82%	16.62%	14.13%	12.02%	10.38%	

See accompanying notes to pension plan schedules.

Gila County
Required supplementary information
Notes to pension plan schedules
June 30, 2018

Note 1 – Actuarially determined contribution rates

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

Actuarial cost method	Entry age normal
Amortization method	Level percent-of-pay, closed
Remaining amortization period as of the 2016 actuarial valuation	20 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS and from 4.5%–7.75% to 4.0%–7.25% for CORP. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS and from 5.0%–8.25% to 4.5%–7.75% for CORP.
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS and CORP. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS and CORP.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

Note 2 – Factors that affect trends

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS, CORP, CORP–AOC, and EORP changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS and EORP also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS-, CORP-, and CORP–AOC-required pension contributions beginning in fiscal year

2016 for members who were retired as of the law's effective date. These changes will increase the PSPRS-, CORP-, and CORP–AOC-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. EORP-required contributions are not based on actuarial valuations, and therefore, these changes did not affect them. PSPRS and CORP allowed the County to phase in the increased contributions for members who were retired as of the law's effective date over 3 years. As a result, the County's pension contributions were less than the actuarially determined contributions for 2016 and 2017. Also, the County refunded excess employee contributions to PSPRS and EORP members. PSPRS and EORP allowed the County to reduce its actual employer contributions for the refund amounts. As a result, the County's pension contributions were less than the actuarially or statutorily determined contributions for 2018.

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