Gila County

Annual Financial Report and
Single Audit Report

Year Ended June 30, 2019

A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General

ARIZONA
Auditor General
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AUDITOR GENERAL

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MELANIE M. CHESNEY
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, 2019, 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, 2019, 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-9, 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.

Supplementary information—schedule of expenditures of federal awards

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements*, *Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is management's responsibility and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 have also issued our report dated December 15, 2020, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 A. Perry, CPA, CFE
Auditor General

December 21, 2020

Gila County
Management's discussion and analysis
June 30, 2019

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, 2019. We encourage readers to consider the information presented here in conjunction with the financial statements.

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 $17.5 million (net position). Of this amount, $30.2 million is the net investment in capital assets (e.g., land, buildings, improvements, machinery and equipment, infrastructure and construction in progress); $24.4 million is restricted for specific purposes (restricted net position); and $(37.0) 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, 2019, total assets were $82.5 million, a decrease of $3.5 million or 4.1 percent in comparison with the prior fiscal year's restated balance of $86 million.

- At June 30, 2019, total liabilities were $64.3 million, a decrease of $10.9 million or 14.5 percent in comparison with the prior fiscal year's restated balance of $75.2 million.

- At June 30, 2019, the County reported total deferred outflows of resources related to pensions/OPEB of $8.7 million and deferred inflows of resources related to pensions/OPEB of $9.4 million.

- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of $29.8 million, a decrease of $4.2 million in comparison with the prior year's balance of $34 million.

- At the end of the current fiscal year, general fund had fund balance of $14.4 million or 33 percent of total general fund expenditures. Of this amount, assigned fund balance for construction projects, rainy day and cash flow reserves was $15.9 million and unassigned deficit was $1.7 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 47 through 60 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 $17.5 million as presented in the following table.

Condensed statement of net position
(in thousands)
June 30, 2019 and 2018

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	$ 34.313	$ 38,862	$11,587	$11,382	$ 45,900	$ 50,244
Capital assets	32,700	32,266	3,867	3,506	36,567	35,772
Total assets	67,013	71,128	15,454	14,888	82,467	86,016
Deferred outflows of resources						
Total deferred outflows of resources	8,638	7,457	95	76	8,733	7,533
Current and other liabilities	2,976	3,237	22	296	2,998	3,533
Long-term liabilities	56,970	67,048	4,327	4,602	61,297	71,650
Total liabilities	59,946	70,285	4,349	4,898	64,295	75,183
Deferred inflows of resources						
Total deferred inflows of resources	9,290	5,712	80	71	9,370	5,783

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Net position						
Net investment in capital assets	$ 26,309	$ 25,502	$ 3,867	$ 3,506	$ 30,176	$ 29,008
Restricted	19,146	20,431	5,250	4,955	24,396	25,386
Unrestricted	(39,040)	(43,345)	2,003	1,534	(37,037)	(41,811)
Total net position	$ 6,415	$ 2,588	$11,120	$ 9,995	$ 17,535	$ 12,583

The largest portion of the County's net position is approximately $30.2 million, or 172.2 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 $24.4 million, or 139.2 percent, is subject to external restrictions on how they may be used. The County's unrestricted deficit of $37 million, or negative 211.4 percent, was a decrease of $4.8 million from the prior year's restated unrestricted deficit of $41.8 million.

The following provides an explanation of governmental activities, current and other assets, deferred outflows and inflows related to pensions/OPEB, and long-term liabilities that changed significantly over the prior year:

- Current and other assets – the net decrease of $4.5 million was primarily due to a deficiency of $4.7 million of governmental funds revenues over expenditures in the current fiscal year.

- Deferred outflows and inflows related to pensions – the net increase of $1.2 million and $3.6 million 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, 2018 and a measurement date of June 30, 2018.

- Long-term liabilities – the net decrease of $10.1 million was largely due to the net pension/OPEB liabilities decreased by $9.8 million as a result of the actuarial valuation performed of the County's participated pension plans as of June 30, 2018 and a measurement date of June 30, 2018. Further, pledged revenue obligations payable was reduced by the required annual debt service payments of $574,000. Conversely, a new installment contract of $215,000 was signed for the purchase of Caterpillar motor grader equipment.

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

- Capital assets – the net increase of $361,000 was primarily due to additional construction costs of $433,000 incurred on the Buckhead Mesa Landfill expansion and a new purchased trailer with Hotsy steam cleaner of $12,000; and annual accumulated depreciation of $85,000 added in the current fiscal year.

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, 2019 and 2018

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	$ 2,804	$ 3,069	$ 2,027	$2,195	$ 4,831	$ 5,264
Grants and contributions	15,051	17,231			15,051	17,231
General revenues:						
Property taxes	22,350	21,459			22,350	21,459
County excise tax	4,688	4,594			4,688	4,594
Share of state sales taxes	5,960	5,776			5,960	5,776
Shared revenue, state vehicle license tax	1,914	1,874			1,914	1,874
State appropriations	550	617			550	617
Shared revenue, state liquor license tax	12	14			12	14
Payments in lieu of taxes	3,879	3,829			3,879	3,829
Investment income (loss)	744	255	151	(1)	895	254
Miscellaneous	1,345	1,265			1,345	1,265
Gain on disposal of capital assets	70	42			70	42
Total revenues	59,367	60,025	2,178	2,194	61,545	62,219
Expenses:						
General government	19,994	25,140			19,994	25,140
Public safety	15,513	20,504			15,513	20,504
Highways and streets	6,712	6,519			6,712	6,519
Health	2,985	2,794			2,985	2,794
Welfare	6,756	6,706			6,756	6,706
Sanitation	44	50	$ 1,053	$1,465	1,097	1,515
Culture and recreation	1,369	1,353			1,369	1,353
Education	2,045	2,837			2,045	2,837
Interest on long-term debt	259	277			259	277
Total expenses	55,678	66,180	1,053	1,465	56,731	67,645
Change in net position before transfers	3,689	(6,155)	1,125	729	4,814	(5,426)
Transfers						
Changes in net position	3,684	(6,155)	1,125	729	4,809	(5,426)
Net position—beginning	2,588	8,332	9,995	9,363	12,583	17,695
Prior period adjustments	132	411		(97)	132	314
Net position—ending	$ 6,415	$ 2,588	$11,120	$9,995	$17,535	$12,583

Overall, the governmental activities revenues decreased by $658,000, or 1.1 percent, and program expenses decreased by $10.5 million, or 15.9 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 decrease of $2.2 million was due to grants received and intergovernmental services provided in General Fund and other non-major special revenue funds were decreased. However, grants and contributions received in Public Works Fund were increased. Specifically, the decreases and increases are as follows.

- Decrease in state subsidy for the elected official retirement pension plan of $1.3 million;
- Decrease in child support enforcement grant of $568,000;
- Decrease in national forest fees of $322,000;
- Decrease in intergovernmental agreements of $213,000 for the Sheriff's Office and courts;
- An intergovernmental agreement of $100,000 signed with Eastern Environmental Counties Organization in FY 2018 but not in FY 2019;
- An emergency response federal grant of $225,000 was received in FY 2018 but not in FY 2019; conversely,
- Increase in state shared highway user revenue of $275,000;
- Increase in public works federal grants of $252,000; and
- Increase in auto license registration fees of $61,000.

General government expenses – The net decrease of $5.1 million was primarily due to the decrease in pension/OPEB expenses of $7.9 million and the increase of General Fund expenses of $1.8 million due to the following increases:

- Salary and related benefits increase of $437,000 as a result of the implementation of a class and compensation study;
- AHCCCS and ALTCS contributions of $898,000;
- Court security of $197,000;
- Audits and financial statement preparation of $14,000; and
- Economic development initiative of $126,000.

Public safety expenses—The net increase of $5 million was primarily due to the decrease in pension/OPEB expense of $4.2 million and the increase of General Fund expenses of $1.4 million due to the following increases.

- Salary and related benefits increase of $675,000 as a result of the implementation of a class and compensation study;
- Outsourcing medical services at the Gila County Jail facility resulted an additional costs of $196,000;
- Outsourcing the Payson portion of 911 services was $279,000; and
- An extraordinary cost of $166,000 to assist the State with fire suppression.

Overall, the business-type activities revenues decreased by $16,000, or 0.73 percent, and program expenses decreased by $412,000, or 28 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 decrease of $412,000 was primarily due to the decrease of $665,000 landfill closure and postclosure care costs estimated by the County's contracted engineering specialist. However, other operating costs increased by $253,000 for additional repair and maintenance work, non-capitalized construction costs for completing the Buckhead Mesa Landfill expansion, and depreciation expense on the expansion.

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 $29.8 million, which was a decrease of $4.2 million from the prior year. Of the total, $11 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 $14,356,290, a decrease of $1,470,181, or 8.9 percent over the prior year's restated balance of $15,763,471. The fund balance of the general fund was $14.4 million, which represents 33 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:

Public Works Fund

- Intergovernmental revenues—The net increase of $610,000 was largely due to additional funding received from the State for highway user revenue of $275,000 and auto license registration fees of $61,000. Further, additional funding received from the Federal government for public works grants of $252,000.

- Highways and streets expenditures—the net increase of $1.4 million was primarily due to additional construction costs of $1.2 million spent on completing the following construction in progress projects: Claypool Broadway Road, Gisela easement reconstruction, Claypool roads pavement, and Baker Ranch Road right of way pavement. In addition, a new Caterpillar motor grader equipment was purchased through an installment contract of $215,000 that resulted in higher capital outlay expenditures.

General Fund Budgetary Highlights

General Fund actual expenditures were $21,807,542 under the adopted budget and actual revenues were more than estimated revenues by $2,358,456. The County had budgeted $500,000 for contingency reserve and $12,000,000 for taxpayer stabilization and did not incur any expenditures during the current fiscal year. The Education department (School Superintendent) had budgeted expenditures of $413,623 while actual expenditures of $1,397,712 were over budget due to not budgeting for the national forest fees of $968,617 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 Elections $69,187, General Administration $642,268, Professional Services $155,400, Community Agencies $35,000, School Superintendent $984,089. 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 control 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 increased by only $795,000, or 2.2 percent, during the current fiscal year in comparison with the prior year's balance of $35,772,337.

The County's investment in capital assets for its governmental activities as of June 30, 2019, amounts to $32.7 million (net of accumulated depreciation), a net increase of $434,000, or 1.3 percent, from the prior year.

The County's investment in capital assets for its business-type activities as of June 30, 2019, amounts to $3.9 million (net of accumulated depreciation), a net increase of $361,000, or 10.3 percent from the prior year.

Major capital asset activity during the fiscal year included:

Business-Type Activities:

- Construction in progress—The net decrease of $247,000 was primarily due to the Buckhead Mesa landfill expansion project was completed in FY 2019. The expansion incurred additional costs of $434,000 and its total project costs of $681,000 were transferred to improvements other than buildings.

- Improvements other than buildings—The net increase of $650,000 was largely due to the completed Buckhead Mesa landfill expansion project of $681,000 transferred from construction in progress as mentioned above and it had an accumulated depreciation balance of $31,000.

The following table provides a breakdown of the County's capital assets as of June 30, 2019 and 2018.

Capital Assets at Year-End
(Net of Accumulated Depreciation)
(in thousands)
June 30, 2019 and 2018

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	$ 2,340	$ 2,261	$3,000	$3,000	$ 5,340	$ 5,261
Construction in progress	3,616	3,687		247	3,616	3,934
Buildings	11,232	11,838			11,232	11,838
Improvements other than buildings	781	825	650		1,431	825
Machinery and equipment	4,277	3,947	217	259	4,494	4,206
Infrastructure	10,454	9,708			10,454	9,708
Total capital assets, net	$32,700	$32,266	$3,867	$3,506	$36,567	$35,772

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, 2019, amounts to $57 million, a net decrease of $10 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:
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 $29,612,456. 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 5.6 percent at June 2019 which is slightly lower than the previous year's rate. The state unemployment rate was 4.8 percent at June 2019. There is an increase in property assessed valuations with no change in tax rate for the fiscal year 2019. These economic factors were considered in preparing the County's budget for this fiscal year 2019. 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, 2019

	Governmental activities	Business-type activities	Total
Assets			
Cash and investments	$ 29,134,072	$ 6,254,585	$ 35,388,657
Receivables (net of allowances for uncollectibles):			
Property taxes	570,840		570,840
Accounts	200,169	53,183	253,352
Interest	133,167	27,933	161,100
Due from other governments	3,319,667		3,319,667
Prepaid items	288		288
Inventories	243,279		243,279
Restricted cash and investments	159	5,249,668	5,249,827
Net other postemployment benefits asset	711,196	1,597	712,793
Capital assets, not being depreciated	5,955,394	3,000,000	8,955,394
Capital assets, being depreciated, net	26,745,172	866,725	27,611,897
Total assets	67,013,403	15,453,691	82,467,094
Deferred outflows of resources			
Deferred outflows related to pensions and OPEB	8,638,624	94,984	8,733,608
Total deferred outflows of resources	8,638,624	94,984	8,733,608
Liabilities			
Accounts payable	1,711,642	5,272	1,716,914
Accrued payroll and employee benefits	792,306	16,593	808,899
Due to other governments	114,735		114,735
Deposits held for others	1,821		1,821
Unearned revenue	355,157		355,157
Noncurrent liabilities:			
Due within one year	2,246,743	25,286	2,272,029
Due in more than one year	54,723,720	4,302,313	59,026,033
Total liabilities	59,946,124	4,349,464	64,295,588
Deferred inflows of resources			
Deferred inflows related to pensions and OPEB	9,290,492	79,681	9,370,173
Total deferred inflows of resources	9,290,492	79,681	9,370,173
Net position			
Net investment in capital assets	26,309,751	3,866,725	30,176,476
Restricted for:			
Public safety	69,498		69,498
Highways and streets	9,861,075		9,861,075
Health services	850,493		850,493
Judicial activities	4,498,992		4,498,992
Law enforcement	863,154		863,154
Education	1,755,765		1,755,765
Sanitation	44,300		44,300
Social services	290,194		290,194
Library	248,553		248,553
Street lighting improvement	20,649		20,649
Other purposes	643,109		643,109
Landfill closure and postclosure care costs		5,249,668	5,249,668
Unrestricted	(39,040,122)	2,003,137	(37,036,985)
Total net position	$ 6,415,411	$ 11,119,530	$ 17,534,941

See accompanying notes to financial statements.

Gila County
Statement of activities
Year ended June 30, 2019

		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	$ 19,993,862	$ 2,081,079	$ 944,663		$ (16,968,120)		$ (16,968,120)
Public safety	15,513,547	389,716	2,476,350		(12,647,481)		(12,647,481)
Highways and streets	6,712,431	14,967	9,333	$ 5,766,756	(921,375)		(921,375)
Health	2,984,638	231,588	1,688,126		(1,064,924)		(1,064,924)
Welfare	6,755,617	56,180	2,089,114		(4,610,323)		(4,610,323)
Sanitation	43,666		122,475		78,809		78,809
Culture and recreation	1,369,548		126,570		(1,242,978)		(1,242,978)
Education	2,045,214	30,527	1,827,740		(186,947)		(186,947)
Interest on long-term debt	259,545				(259,545)		(259,545)
Total governmental activities	55,678,068	2,804,057	9,284,371	5,766,756	(37,822,884)		(37,822,884)
Business-type activities							
Landfill	1,053,456	2,026,998				$ 973,542	973,542
Total business-type activities	1,053,456	2,026,998				973,542	973,542
Total primary government	$ 56,731,524	$ 4,831,055	$ 9,284,371	$ 5,766,756	(37,822,884)	973,542	(36,849,342)
General revenues							
Taxes:							
Property taxes, levied for general purposes					21,091,473		21,091,473
Property taxes, levied for street lighting districts					53,587		53,587
Property taxes, levied for library district					1,204,884		1,204,884
County excise tax for general purpose					3,173,302		3,173,302
County excise tax for transportation purpose					1,514,562		1,514,562
Shared revenue—state sales tax					5,959,997		5,959,997
Shared revenue—state vehicle license tax					1,913,804		1,913,804
State appropriations					550,050		550,050
Shared revenue—state liquor license tax					12,300		12,300
Payments in lieu of taxes					3,879,176		3,879,176
Investment earnings (loss)					744,328	150,624	894,952
Miscellaneous					1,344,880		1,344,880
Net gain on disposal of capital assets					70,016		70,016
Total general revenues					41,512,359	150,624	41,662,983
Change in net position					3,689,475	1,124,166	4,813,641
Net position, July 1, 2018, as restated					2,725,936	9,995,364	12,271,300
Net position, June 30, 2019					$ 6,415,411	$ 11,119,530	$ 17,534,941

See accompanying notes to financial statements.

Gila County
Balance sheet
Governmental funds
June 30, 2019

	General fund	Public works fund	Other governmental funds	Total governmental funds
Assets				
Cash and investments	$ 14,463,249	$ 9,381,724	$ 5,289,099	$ 29,134,072
Receivables (net of allowances for uncollectibles):				
Property taxes	535,631		35,209	570,840
Accounts	61,041	835	138,293	200,169
Interest	62,615	44,812	25,740	133,167
Due from other funds	40,093			40,093
Due from other governments	1,726,632	727,440	865,595	3,319,667
Cash and investments held by trustee-restricted	159			159
Prepaid items			288	288
Inventories	141,711	101,568		243,279
Total assets	17,031,131	10,256,379	6,354,224	33,641,734
Liabilities				
Accounts payable	1,141,041	309,964	260,637	1,711,642
Accrued payroll and employee benefits	534,720	85,340	172,246	792,306
Due to:				
Other funds			40,093	40,093
Other governments			114,735	114,735
Deposits held for others	1,821			1,821
Unearned revenue	355,157			355,157
Total liabilities	2,032,739	395,304	587,711	3,015,754
Deferred inflows of resources				
Unavailable revenue—property taxes	450,522		30,844	481,366
Unavailable revenue—intergovernmental	148,418		123,570	271,988
Unavailable revenue—charges for services	28,195			28,195
Unavailable revenue—miscellaneous	14,967		16,283	31,250
Total deferred inflows of resources	642,102		170,697	812,799
Fund balances				
Nonspendable	141,711	101,568	288	243,567
Restricted	159	9,759,507	8,786,601	18,546,267
Assigned	15,897,784			15,897,784
Unassigned	(1,683,364)		(3,191,073)	(4,874,437)
Total fund balances	14,356,290	9,861,075	5,595,816	29,813,181
Total liabilities, deferred inflows of resources, and fund balances	$ 17,031,131	$ 10,256,379	$ 6,354,224	$ 33,641,734

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, 2019

Fund balances—total governmental funds	$ 29,813,181
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.	32,700,566
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	812,799
Net OPEB assets held in trust for future benefits are not available for County operations and, therefore, are not reported in the funds.	711,196
Long-term liabilities, such as net pension/OPEB liabilities and pledged revenue obligations payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(56,970,463)
Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future reporting periods and, therefore, are not reported in the funds.	(651,868)
Net position of governmental activities	$ 6,415,411

See accompanying notes to financial statements.

Gila County

Statement of revenues, expenditures, and changes in fund balances
Governmental funds
Year ended June 30, 2019

	General fund	Public works fund	Other governmental funds	Total governmental funds
Revenues:				
Taxes	$ 24,190,830	$ 1,514,563	$ 1,253,913	$ 26,959,306
Licenses and permits	570,959	7,974	126,948	705,881
Intergovernmental	14,323,299	5,766,756	7,743,026	27,833,081
Charges for services	876,147		703,395	1,579,542
Fines and forfeits	462,899		27,794	490,693
Donations and contributions	1,633		265,061	266,694
Investment earnings (loss)	374,997	259,904	109,426	744,327
Miscellaneous	766,950	33,129	513,766	1,313,845
Total revenues	41,567,714	7,582,326	10,743,329	59,893,369
Expenditures:				
Current:				
General government	20,904,237		2,892,633	23,796,870
Public safety	15,409,185		2,123,824	17,533,009
Highways and streets		8,332,312	52,532	8,384,844
Health			3,316,099	3,316,099
Welfare	4,424,536		2,461,685	6,886,221
Sanitation			159,750	159,750
Culture and recreation			1,443,265	1,443,265
Education	1,397,712		815,127	2,212,839
Debt service:				
Principal retirement	574,493			574,493
Interest and other charges	271,117			271,117
Total expenditures	42,981,280	8,332,312	13,264,915	64,578,507
Excess (deficiency) of revenues over expenditures	(1,413,566)	(749,986)	(2,521,586)	(4,685,138)
Other financing sources (uses):				
Proceeds from sale of capital assets	20,150	67,950	2,650	90,750
Installment purchase contract		215,335		215,335
Transfers in		10,121	75,580	85,701
Transfers out	(85,701)			(85,701)
Total other financing sources (uses)	(65,551)	293,406	78,230	306,085
Net change in fund balances	(1,479,117)	(456,580)	(2,443,356)	(4,379,053)
Fund balances, beginning of year, as restated	15,763,471	10,216,087	8,039,172	34,018,730
Changes in nonspendable resources:				
Increase in reserve for inventories	71,936	101,568		173,504
Fund balances, end of year	$ 14,356,290	$ 9,861,075	$ 5,595,816	$ 29,813,181

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, 2019

Net change in fund balances—total governmental funds		$ (4,379,053)
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	3,335,843	
Depreciation expense	(2,880,663)	455,180
In the statement of activities, only the gain/loss on the sale of capital assets is reported, where as in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the capital assets sold.		(20,734)
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.		
Debt issued or incurred	(215,335)	
Bond premium amortized	11,572	
Principal repaid	574,493	
Capital leases principal repaid	2,782	373,512
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/OPEB 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	4,710,706	
Pension/OPEB expense	3,115,773	7,826,479
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		(143,570)
Collections of revenues in the governmental funds exceeded revenues reported in the Statement of Activities		
Intergovernmental	(432,990)	
Miscellaneous revenue	(216)	
EORP subsidy	(350,916)	(784,122)
Some revenues reported in the Statement of Activities that do not represent the collection of current financial resources and therefore are not reported as revenues in the governmental funds.		
Property taxes	78,503	
Intergovernmental	50,585	
Charges for services	27,941	
Miscellaneous revenue	31,250	188,279
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.		
Increase in inventories		173,504
Change in net position of governmental activities		$ 3,689,475

See accompanying notes to financial statements.

Gila County
Statement of net position
Proprietary fund
June 30, 2019

	Business-type activities—enterprise fund landfill
Assets	
Current assets:	
Cash and investments	$ 6,254,585
Accounts receivable	53,183
Interest receivable	27,933
Total current assets	6,335,701
Noncurrent assets:	
Restricted cash and investments	5,249,668
Net other postemployment benefits asset	1,597
Capital assets:	
Nondepreciable	3,000,000
Depreciable, net	866,725
Total noncurrent assets	9,117,990
Total assets	15,453,691
Deferred outflows of resources	
Deferred outflows related to pensions	94,984
Total deferred outflows of resources	94,984
Total assets and deferred outflows of resources	15,548,675
Liabilities	
Current liabilities:	
Accounts payable	5,272
Accrued payroll and employee benefits	16,593
Total current liabilities	21,865
Noncurrent liabilities:	
Compensated absences payable	25,983
Landfill closure and postclosure care costs payable	3,739,088
Net pension liability	562,528
Total noncurrent liabilities	4,327,599
Total liabilities	4,349,464
Deferred inflows of resources	
Deferred inflows related to pensions	79,681
Total deferred inflows of resources	79,681
Total liabilities and deferred inflows of resources	4,429,145
Net position	
Invested in capital assets, net of related debt	3,866,725
Restricted for landfill closure and postclosure care costs	5,249,668
Unrestricted	2,003,137
Total net position	$ 11,119,530

See accompanying notes to financial statements.

Gila County
Statement of revenues, expenses, and changes in fund net position
Proprietary fund
Year ended June 30, 2019

	Business-type activities— enterprise fund landfill
Operating revenues:	
Landfill fees	$ 2,019,310
Other	7,688
Total operating revenues	2,026,998
Operating expenses:	
Personal services	573,830
Professional services	161,372
Supplies	117,631
Utilities	8,717
Repairs and maintenance	184,015
Landfill closure and postclosure care costs	(222,911)
Depreciation	84,940
Other	145,862
Total operating expenses	1,053,456
Operating income	973,542
Nonoperating expenses	
Investment earnings	150,624
Total nonoperating expenses	150,624
Increase in net position	1,124,166
Net position, July 1, 2018	9,995,364
Net position, June 30, 2019	$ 11,119,530

See accompanying notes to financial statements.

Gila County
Statement of cash flows
Proprietary fund
Year ended June 30, 2019

	Business-type activities—enterprise fund landfill
Cash flows from operating activities	
Receipts from customers	$ 2,116,454
Payments to suppliers and providers of goods and services	(897,751)
Payments to employees	(628,954)
Net cash provided by operating activities	589,749
Cash flows from capital and related financing activities	
Purchases of capital assets	(445,448)
Net cash used for capital and related financing activities	(445,448)
Cash flows from investing activities	
Investment earnings	140,955
Net cash used for investing activities	140,955
Net increase in cash and cash equivalents	285,256
Cash and cash equivalents, July 1, 2018	11,218,997
Cash and cash equivalents, June 30, 2019	$11,504,253
Reconciliation of operating income to net cash provided by operating activities	
Operating income	$ 973,542
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	84,940
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Accounts receivable	89,456
Net other postemployment-benefits asset	661
Deferred outflows of resources related to pensions and other postemployment benefits	(19,361)
Accounts payable	(280,154)
Accrued payroll and employee benefits	5,633
Compensated absences payable	(5,103)
Landfill closure and postclosure care costs payable	(222,911)
Net pension liability	(45,929)
Deferred inflows of resources related to pensions and other postemployment benefits	8,975
Net cash provided by operating activities	$ 589,749

See accompanying notes to financial statements.

Gila County
Statement of fiduciary net position
Fiduciary funds
June 30, 2019

	Investment trust funds	Agency funds
Assets		
Cash and investments	$43,249,962	$916,161
Interest receivable	191,056	1,338
Total assets	$43,441,018	$917,499
Liabilities		
Due to other governments		303,742
Deposits held for others		613,757
Total liabilities		$917,499
Net position		
Held in trust for investment trust participants	$43,441,018	

See accompanying notes to financial statements.

Gila County
Statement of changes in fiduciary net position
Fiduciary funds
Year ended June 30, 2019

	Investment trust funds
Additions:	
Contributions from participants	$109,681,191
Investment earnings	961,719
Total additions	110,642,910
Deductions:	
Distributions to participants	104,883,741
Change in net position	5,759,169
Net position, July 1, 2018	37,681,849
Net position, June 30, 2019	$ 43,441,018

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).

A. Reporting entity

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

Component units are legally separate entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are so intertwined with the County that they are in substance part of the County's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County. Each blended component unit discussed below has a June 30 year-end.

The 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 was not eligible for credit card rebates during calendar year 2019.

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

Governmental activities net position as of July 1, 2018, has been restated as follows for the correction of accounting errors.

Government-wide statements

	Governmental Activities
Net position as previously reported at June 30, 2018	$2,587,690
Prior period adjustment—to include PSPRS cost sharing plan:	
Deferred outflows—county contributions made during fiscal year 2018	5,707
Prior period adjustment—corrections of accounting errors:	
Understatement of previous year's revenues:	208,039
Understatement of previous year's expenses	(75,500)
Net position as restated, July 1, 2018	$2,725,936

Fund based financial statements

	General Fund	Other Governmental Funds
Fund balance as previously reported at June 30, 2018	$15,555,432	$8,114,672
Prior period adjustment:		
Understatement of previous year's revenues:	208,039	
Understatement of previous year's expenditures		(75,500)
Fund balance as restated, July 1, 2018	$15,763,471	$8,039,172

Note 3 - Individual fund deficits

The following special revenue funds had fund deficits in excess of $1,000 as of June 30, 2019:

Fund	Deficit
Health Service Fund	603,738
Rabies Control	353,314
Diversion Program CA	294,473
Superior & JP Crts Security	234,224
State Aid Enhancement	218,876
Attorney's Justice Enhancement	211,862
Housing	187,196
Drug Prosecution Grant 16.738	183,708
IV D Incentive/SSRE 93.563	177,287
Brownsfield Grant 66.817	89,061
Adult Intensive Prob Supervision	66,203
Crime Victim Assistance Prog	61,579
Field Trainer	58,417
Conciliation Court Fund	58,032
Law Library Fund	53,570
HIV Consortium 93.917	45,517
DES Community Action Program	36,214
Weatherization Asst 81.042 / 93.568	29,163
Supp Nutrtn Asst Prg Ed 10.561	21,066
Emergency Response	19,983
Public Health Emerg Prep 93.069	19,661
A G Victim Rights	18,448
Prop 201 Smoke Free AZ Act	17,748
Juvenile Standards Probation	14,200
Local Probate Assessment Fee	13,854
RXP - Presc Drug OD Prev 93.136	12,427
Tobacco Free Environment	10,383
Public Hlth Accreditation 93.991	10,056
Victim Compensation	9,557
Population Health Initiative	9,315
GOHS - DUI Enforcement Equipment	9,033
Section 8 Housing 14.871	8,553
CASA – Globe	7,527
Teen Pregnancy Prevention Svcs	6,326
EECO	6,000
Court Appointed Spec Advocate	4,040
Claypool/Lower Miami SLID	3,534
Gila County Wellness Program	3,392
Juvenile Evening/Weekend Res Ctr	1,219

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 1 of the 2 highest ratings by Moody's investors service and Standard and Poor's rating service. If only 1 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, 2019, the carrying amount of the County's deposits was $17,427,886, and the bank balance was $19,876,869. The County does not have a formal policy related to custodial credit risk for deposits.

Investments—The County had total investments of $67,370,721 at June 30, 2019. The County categorizes certain investments measured at fair value within the fair value hierarchy established by generally accepted accounting principles, were as follows:

	Amount	Fair value measurement using: Quoted prices in active markets for identical assets (Level 1)	Fair value measurement using: Significant other observable inputs (Level 2)
Investments by fair value level			
U.S. Treasury securities	$27,392,307	$27,392,307	
Federal Farm Credit Banks	12,352,445	12,352,445	
Federal Home Loan Bank	18,142,246	18,142,246	
Federal Home Loan Mortgage Corporation	501,530	501,530	
Federal National Mortgage Association	496,124	496,124	
Corporate bonds	7,249,849	7,249,849	
Negotiable certificates of deposit	1,236,061	1,236,061	
U.S. Treasury money market funds	159		$159
Total investments by fair value level	$67,370,721	$67,307,562	$159

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 for identical or similar assets 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, 2019, credit risk for the County's investments was as follows:

Investment type	Rating	Rating agency	Amount
U.S. agency securities	Aaa	Moody's	$31,492,345
Corporate bonds	Aaa	Moody's	502,681
Corporate bonds	Aa1	Moody's	2,251,532
Corporate bonds	Aa2	Moody's	508,628
Corporate bonds	A2	Moody's	3,987,008
Negotiable certificates of deposit	Unrated	N/A	1,236,061
U.S. Treasury money market funds	Unrated	N/A	159
			$39,978,414

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, 2019, representing 5 percent or more of the County's total investments as follows:

U.S. agency	Percent
Federal Home Loan Bank	26.93%
Federal Farm Credit Banks	18.34%

Interest rate risk—The County does not have a formal investment policy with respect to interest rate risk. At June 30, 2019, the County had the following investments in debt securities:

Investment type	Amount	Weighted average maturity (years)
U.S. agency securities	$31,492,345	1.02
U.S. Treasury securities	27,392,307	0.78
Corporate bonds	7,249,849	1.37
Negotiable certificates of deposit	1,236,061	1.21
U.S. Treasury money market funds	159	0.00
Total	$67,370,721	

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

Cash, deposits, and investments:	
Cash on hand	$ 6,000
Amount of deposits	17,427,886
Amount of investments	67,370,721
Total	$84,804,607

Statement of net position

	Governmental activities	Business-type activities	Investment trust funds	Agency funds	Total
Cash and investments	$29,134,072	$ 6,254,585	$43,249,962	$916,161	$79,554,780
Cash and investments held by trustee—restricted	159	5,249,668			5,249,827
Total	$29,134,231	$11,504,253	$43,249,962	$916,161	$84,804,607

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 $1,027,013 in deposits and $5,249,827 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	$31,345,000	1.220% - 2.900%	07/19 – 06/21	$31,492,345
U.S. Treasury securities	27,295,000	1.250% - 2.625%	07/19 –12/21	27,392,307
Corporate bonds	7,250,000	1.450% - 3.750%	08/19 – 08/21	7,249,849
Negotiable certificates of deposit	1,250,000	1.150%- 1.550%	08/19 – 08/21	1,236,061
	$67,140,000			$67,370,562

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

Statement of net position	
Assets	$ 78,881,262
Liabilities	303,742
Net position	$ 78,577,520
Net position held in trust for:	
Internal participants	$ 35,136,502
External participants	43,441,018
Total net position held in trust	$ 78,577,520
Statement of changes in net position	
Total additions	$180,057,662
Total deductions	179,180,565
Net increase	877,097
Net position held in trust:	
July 1, 2018	77,700,423
June 30, 2019	$ 78,577,520

Note 6 – Due from other governments

Amounts due from other governments at June 30, 2019, are shown as follows:

	Governmental activities			
	General fund	Public works fund	Other governmental funds	Total
State-shared sales tax	$ 591,563			$ 591,563
County excise tax	561,129	$264,108		825,237
State-shared vehicle license tax	78,688	46,221		124,909
State-shared liquor license tax	4,750			4,750
Highway user revenue		417,111		417,111
Grants and contributions from local, state, and federal governments			$699,243	699,243
Reimbursements for goods or services provided for governmental units	484,409		166,352	650,761
Miscellaneous	6,093			6,093
Total	$1,726,632	$727,440	$865,595	$3,319,667

Note 7 - Capital assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 2,260,829	$ 78,796		$ 2,339,625
Construction in progress	3,686,636	1,368,481	$1,439,348	3,615,769
Total capital assets not being depreciated	5,947,465	1,447,277	1,439,348	5,955,394
Capital assets being depreciated:				
Buildings	24,244,191	399,895		24,644,086
Improvements other than buildings	1,416,291	24,323		1,440,614
Machinery and equipment	27,276,526	1,456,985	1,068,183	27,665,328
Infrastructure	20,729,764	1,446,711		22,176,475
Total capital assets being depreciated	73,666,772	3,327,914	1,068,183	75,926,503
Less accumulated depreciation for:				
Buildings	12,406,331	1,006,065		13,412,396
Improvements other than buildings	591,204	67,979		659,183
Machinery and equipment	23,329,385	1,105,884	1,047,449	23,387,820
Infrastructure	11,021,197	700,735		11,721,932
Total accumulated depreciation	47,348,117	2,880,663	1,047,449	49,181,331
Total capital assets being depreciated, net	26,318,655	447,251	20,734	26,745,172
Governmental activities, capital assets, net	$32,266,120	$1,894,528	$1,460,082	$32,700,566
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 3,000,000			$ 3,000,000
Construction in progress	247,381	$ 433,453	$ 680,834	
Total capital assets not being depreciated	3,247,381	433,453	$ 680,834	3,000,000
Capital assets being depreciated:				
Improvements other than buildings		680,834		680,834
Machinery and equipment	3,036,714	11,995		3,048,709
Infrastructure	169,340			169,340
Total capital assets being depreciated	3,206,054	629,829		3,898,883
Less accumulated depreciation for:				
Improvements other than buildings		30,591		30,591
Machinery and equipment	2,777,878	54,349		2,832,227
Infrastructure	169,340			169,340
Total	2,947,218	84,940		3,032,158
Total capital assets being depreciated, net	258,836	607,889		866,725
Business-type activities, capital assets, net	$ 3,506,217	$1,041,342	$ 680,834	$ 3,866,725

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	$1,110,644
Public safety	494,462
Highways and streets	1,173,931
Health	8,739
Welfare	19,840
Sanitation	20,165
Education	783
Culture and recreation	52,099
Total governmental activities depreciation expense	$2,880,633
Business-type activities:	
Sanitation	$ 84,940

Note 8 – Significant construction commitments

At June 30, 2019, the County had major construction commitments related to various governmental capital projects for the constructions of Tonto Creek Bridge, Gordon Canyon Bridge, a new animal shelter and the improvements of other bridges and roads. As of June 30, 2019, the County had spent $3,615,769 on these construction projects and reported the total amount in construction in progress. An estimated cost to complete these capital projects is approximately $30.8 million, which is predominantly financed by transportation excise tax, General Fund and state and federal grants.

Note 9 - Long-term liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2019:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due within 1 year
Governmental activities					
Pledged revenue obligations payable	$ 6,633,573		$ 574,493	$ 6,059,080	$ 592,274
Revenue obligations premium payable	127,287		11,572	115,715	11,572
Capital leases payable	3,626		2,782	844	844
Installment purchase contracts payable		$ 215,335		215,335	19,005
Net pension and other postemployment benefits liability	58,795,566		9,847,888	48,947,678	
Compensated absences payable	1,488,241	1,623,819	1,480,249	1,631,811	1,623,048
Total governmental activities long-term liabilities	$67,048,293	$1,839,154	$11,916,984	$56,970,463	$2,246,743
Business-type activities					
Net pension and other postemployment benefits liability	$ 608,457		$ 45,929	$ 562,528	
Compensated absences payable	31,086	$ 25,386	30,489	25,983	$ 25,286
Landfill closure and postclosure care costs payable	3,961,999		222,911	3,739,088	
Total business-type activities long-term liabilities	$ 4,601,542	$ 25,386	$ 299,329	$ 4,327,599	$ 25,286

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, 2019:

Description	Original amount issued	Interest rates	Maturities	Outstanding June 30, 2019
Gila County Pledged Revenue Obligations, Series 2009	$6,860,000	3-5%	2020-2029	$4,130,000
Gila County Pledged Revenue Refunding Obligations, Series 2009	1,140,000	3-5%	2020-2029	685,000
Gila County Pledged Revenue Obligations, Series 2015	2,000,000	0.53-2.70%	2020-2025	1,244,080
Total				$6,059,080

The following schedule details debt service requirements to maturity for the County's pledged revenue and pledged revenue refunding obligations payable at June 30, 2019:

	Governmental activities	
	Principal	Interest
Year ending June 30		
2020	$ 592,274	$ 251,897
2021	615,549	232,822
2022	629,359	212,412
2023	653,794	190,977
2024	673,804	168,165
2025-2029	2,894,300	420,421
	$6,059,080	$1,476,694

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, 2019. At June 30, 2019, future pledged revenues through final maturity at July 1, 2029, totaled $7,535,774, consisting of $6,059,080 for principal and $1,476,694 for interest. Future principal and interest payments are expected to require less than 10% of pledged revenues. In the current year, total principal and interest paid, and total pledged resources were $844,371 and $8,315,262, 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 $3,739,088 reported as landfill closure and postclosure care liability at June 30, 2019, represents the cumulative amount reported to date based on the approximate use of 70 percent of the estimated capacity of the Buckhead Mesa Landfill and 70 percent of the Russell Gulch Landfill. The County will recognize the remaining estimated cost of closure and postclosure care of $1,586,321 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 2019.

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 correction 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 2019 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 expired on December 31, 2019 and 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, 2019, the County paid for compensated absences as follows: 68 percent from the general fund, 10 percent from the public works fund, 2 percent from the landfill fund, and 20 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, 2019, were as follows:

	General fund	Public works fund	Other governmental funds	Total
Fund balances:				
Nonspendable:				
Prepaid items			$ 288	$ 288
Inventories	$ 141,711	$ 101,568		243,279
Total nonspendable	141,711	101,568	288	243,567

	General fund	Public works fund	Other governmental funds	Total
Restricted for:				
Public safety			$ 29,165	$ 29,165
Highways and streets		$9,759,507		9,759,507
Health services			802,578	802,578
Judicial activities			4,291,646	4,291,646
Law enforcement			863,154	863,154
Education			1,755,765	1,755,765
Sanitation			44,300	44,300
Social services			289,419	289,419
Library			220,985	220,985
Street lighting improvement			17,373	17,373
Capital projects	$ 159			159
Other purposes			472,216	472,216
Total restricted	159	9,759,507	8,786,601	18,546,267
Assigned to:				
Contingency reserve	15,000,000			15,000,000
Education	3,598			3,598
Other purposes	894,186			894,186
Total assigned	15,897,784			15,897,784
Unassigned	(1,683,364)		(3,191,073)	(4,874,437)
Total fund balances	$14,356,290	$9,861,075	$ 5,595,816	$29,813,181

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 Benefit 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 $100,131 for the year ended June 30, 2019. These operating leases have the remaining noncancelable terms of 2 to 3 years. The following future minimum payments were required under the operating lease at June 30, 2019:

Year ending June 30	**Governmental Activities**
2020	$100,131
2021	100,131
2022	4,437
Total minimum lease payments	$204,699

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, 2019, 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 OPEB asset	$ 711,196	$ 1,597	$ 712,793
Net pension and OPEB liabilities	48,947,678	562,528	49,510,206
Deferred outflows of resources related to pensions and OPEB	8,638,624	94,984	8,733,608
Deferred inflows of resources related to pensions and OPEB	9,290,492	79,681	9,370,173
Pension and OPEB expenses (income)	(3,115,773)	(5,878)	(3,121,651)

The County's accrued payroll and employee benefits includes $158,637 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2019. Also, the County reported $4,710,706 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, 2019, statute required active ASRS members to contribute at the actuarially determined rate of 11.64 percent for retirement of the members' annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 11.18 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 10.41 percent 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, 2019, were $2,081,233.

During fiscal year 2019, the County paid for ASRS pension contributions as follows: 61 percent from the general fund, 14 percent from the Public Works Fund, 23 percent from other governmental funds, and 2 percent from the Landfill Fund.

Pension liability—At June 30, 2019, the County reported a net pension liability of $23,817,800 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2018. 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, 2017, to the measurement date of June 30, 2018. The total pension liability as of June 30, 2018, reflects a change in actuarial assumption based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the discount rate from 8 percent to 7.5 percent, changing the projected salary increases from 3–6.75 percent to 2.7–7.2 percent, decreasing the inflation rate from 3 percent to 2.3 percent, and changing the mortality rates.

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, 2018. The County's proportion measured as of June 30, 2018, was 0.170780 percent, which was an increase of 0.004710 from its proportion measured as of June 30, 2017.

Pension expense and deferred outflows/inflows of resources—For the year ended June 30, 2019, the County recognized a negative pension expense for ASRS of $352,075. At June 30, 2019, 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	$ 656,161	$ 131,304
Changes of assumptions or other inputs	630,262	2,111,775
Net difference between projected and actual earnings on pension plan investments		572,762
Changes in proportion and differences between county contributions and proportionate share of contributions	491,844	577,251
County contributions subsequent to the measurement date	2,081,233	
Total	$3,859,500	$3,393,092

The 2,081,233 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, 2020. 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	
2020	$ (61,202)
2021	(427,924)
2022	(868,838)
2023	(256,861)

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

ASRS	
Actuarial valuation date	June 30, 2017
Actuarial roll forward date	June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7–7.2%
Inflation	2.3%
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP

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 ASRS pension plan investments was determined to be 7.5 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 geometric real rates of return for each major asset class are summarized in the following table:

ASRS Asset class	Target allocation	Long-term expected geometric real rate of return
Equity	50%	5.50%
Fixed income	30%	3.83%
Real estate	20%	5.85%
Total	100%	

Discount rate—At June 30, 2018, the discount rate used to measure the ASRS total pension liability was 7.5 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2017. 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 7.5 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 (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

ASRS	1% Decrease (6.5%)	Current discount rate (7.5%)	1% Increase (8.5%)
County's proportionate share of the net pension liability	$33,952,822	$23,817,800	$15,350,153

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) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans. A 9-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 plan, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plan (PSPRS Tier 3 Risk Pool) which is not further disclosed because of its relative insignificance to the County's financial statements.

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) or the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The CORP administers an agent multiple-employer defined benefit pension plan for county detention officers and dispatchers (agent plan), which was closed to new members as of July 1, 2018, and a cost-sharing multiple-employer defined benefit pension plan for AOC officers (cost-sharing plan). Employees who were CORP members before July 1, 2018, participate in CORP, and AOC probation and surveillance officers who became members on or after July 1, 2018, participate in CORP or PSPDCRP. Detention officers, County dispatchers, and juvenile detention officers who became members on or after July 1, 2018, participate in PSPDCRP. 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 and before July 1, 2018
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	

CORP	Initial membership date: Before January 1, 2012	On or after January 1, 2012 and before July 1, 2018
Survivor benefit		
Retired members	80% of retired member's pension benefit	
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 based on inflation. 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, 2019, 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	33	12	3
Inactive employees entitled to but not yet receiving benefits	14	31	4
Active employees	33	59	5
Total	80	102	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. Contribution rates for the year ended June 30, 2019, are indicated below. Rates are a percentage of active members' annual covered payroll.

	Active member—pension	County—pension
PSPRS Sheriff	7.65 – 11.65%	53.39%
CORP Detention	8.41	13.64
CORP Dispatchers	7.96	40.84
CORP AOC	8.41	32.43

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 and employees participating in the PSPRS Tier 3 Risk Pool and PSPDCRP members in addition to the County's required contributions to the PSPRS Tier 3 Risk Pool and PSPDCRP.

	Pension
PSPRS Sheriff	41.04%
CORP Detention	6.06

The County's contributions to the pension plans for the year ended June 30, 2019, were:

PSPRS Sheriff	PSPRS Tier 3 Risk Pool	CORP Detention	CORP Dispatchers	CORP AOC
$1,303,462	$29,608	$291,129	$65,525	$358,953

During fiscal year 2019, the County paid for PSPRS and CORP pension contributions as follows: 82 percent from the General Fund and 18 percent from other governmental funds.

Pension liability—At June 30, 2019, the County reported the following net pension liabilities:

	Net pension liability
PSPRS Sheriff	$12,680,451
CORP Detention	1,760,857
CORP Dispatchers	750,592
CORP AOC (County's proportionate share)	3,161,337

The net pension liabilities were measured as of June 30, 2018, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date. The total CORP pension liabilities as of June 30, 2018, reflect statutory changes in benefit terms for automatic cost-of-living adjustments. The basis for cost-of-living adjustments was changed from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent.

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, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.4%
Wage inflation	3.5
Price inflation	2.5%
Cost-of-living adjustment	Included
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience.

Actuarial assumptions used in the June 30, 2018, 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%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTS	12%	3.96%
Private credit	16%	6.75%
Real estate	10%	3.75%
Private equity	12%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	16%	7.60%
Total	100%	

Pension discount rate—At June 30, 2018, the discount rate used to measure the PSPRS and CORP total pension liabilities was 7.4 percent, which was the same as the discount rate used as of June 30, 2017. 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, 2018	$19,478,466	$6,739,617	$12,738,849
Changes for the year:			
Service cost	385,131		385,131
Interest on the total pension liability	1,411,326		1,411,326
Changes of benefit terms			
Differences between expected and actual experience in the measurement of the pension liability	(369,481)		(369,481)
Changes of assumptions or other inputs			
Contributions—employer		1,119,625	(1,119,625)
Contributions—employee		190,551	(190,551)
Net investment income		454,476	(454,476)
Benefit payments, including refunds of employee contributions	(1,198,129)	(1,198,129)	
Hall/Parker settlement		(271,741)	271,741
Administrative expense		(7,617)	7,617
Other changes		80	(80)
Net changes	228,847	287,245	(58,398)
Balances at June 30, 2019	$19,707,313	$ 7,026,862	$12,680,451

CORP Detention

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a) – (b)
Balances at June 30, 2018	$6,910,035	$4,800,510	$2,109,525
Changes for the year:			
Service cost	362,086		362,086
Interest on the total pension liability	504,600		504,600
Changes of benefit terms	(322,827)		(322,827)
Differences between expected and actual experience in the measurement of the pension liability	(138,314)		(138,314)
Changes of assumptions or other inputs			
Contributions—employer		238,843	(238,843)
Contributions—employee		194,274	(194,274)
Net investment income		335,380	(335,380)
Benefit payments, including refunds of employee contributions	(544,308)	(544,308)	
Administrative expense		(5,774)	5,774
Other changes		(8,510)	8,510
Net changes	(138,763)	209,905	(348,668)
Balances at June 30, 2019	$6,771,272	$5,010,415	$1,760,857

CORP Dispatchers

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a) – (b)
Balances at June 30, 2018	$2,348,905	$1,315,885	$1,033,020
Changes for the year:			
Service cost	30,034		30,034
Interest on the total pension liability	171,554		171,554
Changes of benefit terms	(130,830)		(130,830)
Differences between expected and actual experience in the measurement of the pension liability	(199,521)		(199,521)
Changes of assumptions or other inputs			
Contributions—employer		47,658	(47,658)
Contributions—employee		14,692	(14,692)
Net investment income		93,455	(93,455)
Benefit payments, including refunds of employee contributions	(91,254)	(91,254)	
Administrative expense		(2,114)	2,114
Other changes		(26)	26
Net changes	(220,017)	62,411	(282,428)
Balances at June 30, 2019	$2,128,888	$1,378,296	$ 750,592

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, 2018. The County's proportion measured as of June 30, 2018, was 0.878214 percent, which was a decrease of 0.095621 from its proportion measured as of June 30, 2017.

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	$15,088,338	$12,680,451	$10,690,611
CORP Detention			
Net pension liability	$2,773,369	$1,760,857	$945,784
CORP Dispatchers			
Net pension liability	$1,026,158	$750,592	$523,448
CORP AOC			
County's proportionate share of the net pension liability	$4,135,785	$3,161,337	$2,370,634

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, 2019, the County recognized the following pension expense:

	Pension expense
PSPRS Sheriff	$1,285,398
CORP Detention	19,749
CORP Dispatchers	(99,009)
CORP AOC (County's proportionate share)	(271,151)

Pension deferred outflows/inflows of resources—At June 30, 2019, 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		$562,026
Changes of assumptions or other inputs	$ 670,888	
Net difference between projected and actual earnings on pension plan investments	106,007	
County contributions subsequent to the measurement date	1,303,462	
Total	$2,080,357	$562,026

CORP Detention	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 95,164	$302,740
Changes of assumptions or other inputs	155,960	
Net difference between projected and actual earnings on pension plan investments	53,115	
County contributions subsequent to the measurement date	291,129	
Total	$595,368	$302,740

CORP Dispatchers	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 13,656	$197,462
Changes of assumptions or other inputs	30,526	
Net difference between projected and actual earnings on pension plan investments	16,526	
County contributions subsequent to the measurement date	65,525	
Total	$126,233	$197,462

CORP AOC	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 11,839	$162,608
Changes of assumptions or other inputs	209,682	
Net difference between projected and actual earnings on pension plan investments	57,187	
Changes in proportion and differences between county contributions and proportionate share of contributions		889,028
County contributions subsequent to the measurement date	358,953	
Total	$637,661	$1,051,636

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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	PSPRS Sheriff	CORP Detention	CORP Dispatchers	CORP AOC
Year ending June 30				
2020	$198,970	$53,975	$(60,257)	$(208,696)
2021	111,885	54,288	(59,983)	(239,634)
2022	(76,061)	(93,485)	(17,070)	(247,759)
2023	(19,925)	(13,279)	556	(76,839)

PSPDCRP plan—County sheriff employees, County detention officers, and AOC probation, surveillance, and juvenile detention officers who are not members of PSPRS or CORP participate in the PSPDCRP. The PSPDCRP is a defined contribution pension plan. The PSPRS Board of Trustees governs the PSPDCRP according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.1. Benefit terms, including contribution requirements, are established by State statute.

For the year ended June 30, 2019, active PSPDCRP members were required by statute to contribute at least 9 percent (County sheriff employees) or 5 percent (County detention officers, County dispatchers, and AOC probation, surveillance, and juvenile detention officers) of the members' annual covered payroll, and the County was required by statute to contribute 9 percent or 5 percent, respectively, of active members' annual covered payroll to an individual employee account. Employees are immediately vested in their own contributions and the earnings on those contributions. Employees vest in a portion of the County's contributions each year as set forth in statute. The plan retains nonvested County contributions when forfeited because of employment terminations. For the year ended June 30, 2019, the County recognized pension expense of $22,298.

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 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

EORP	Initial membership date: Before January 1, 2012	On or after January 1, 2012
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 inflation. 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, 2019, statute required active EORP members to contribute 7 or 13 percent of the members' annual covered payroll and the County to contribute at the actuarially determined rate of 61.5 percent of all active EORP members' annual covered payroll. Also, statute required the County to contribute 49.86 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 55.5 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, 2019, were $512,123.

During fiscal year 2019, the County paid for EORP pension contributions as follows: 100 percent from the General Fund.

Pension liability—At June 30, 2019, 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	$7,203,131
State's proportionate share of the EORP net pension liability associated with the County	1,234,210
Total	$8,437,341

The net pension liability was measured as of June 30, 2018, 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, 2018, reflects statutory changes in benefit terms for automatic cost-of-living adjustments. The basis for cost-of-living adjustments was changed from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent.

The County's proportion of the net pension liability was based on the County's required contributions to the plan relative to the total of all participating employers' required contributions for the year ended June 30, 2018. The County's proportion measured as of June 30, 2018, was 1.1431040 percent, which was an increase of 0.0247740 from its proportion measured as of June 30, 2017.

Pension expense and deferred outflows/inflows of resources—For the year ended June 30, 2019, the County recognized negative pension expense for EORP of $3,754,052 and negative revenue of $350,916 for the County's proportionate share of the State's appropriation to EORP and the designated court fees. At June 30, 2019, 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		$ 112,344
Changes of assumptions or other inputs	$ 44,881	2,998,718
Net difference between projected and actual earnings on pension plan investments	62,506	
Changes in proportion and differences between county contributions and proportionate share of contributions	150,870	68,612
County contributions subsequent to the measurement date	512,123	
Total	$770,380	$3,179,674

The $512,123 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, 2020. 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	
2020	$(2,707,756)
2021	(188,182)
2022	(26,517)
2023	1,038

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

EORP

Actuarial valuation date	June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.4%
Wage inflation	3.5%
Price inflation	2.5%
Cost-of-living adjustment	Included
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience

Actuarial assumptions used in the June 30, 2018, 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 geometric real rate of return
Short term investments	2%	0.25%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTS	12%	3.96%
Private credit	16%	6.75%
Real estate	10%	3.75%
Private equity	12%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	16%	7.60%
Total	100%	

Discount rate—At June 30, 2018, the discount rate used to measure the EORP total pension liability was 7.4 percent, which was an increase of 3.49 from the discount rate used as of June 30, 2017. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the actuarially determined rates, and State contributions will be made as currently required by statute. Based on those assumptions, the 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 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 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 7.4 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 (6.4 percent) or 1 percentage point higher (8.4 percent) than the current rate:

EORP	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
County's proportionate share of the net pension liability	$8,270,868	$7,203,131	$6,295,522

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 who 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. The EODCDP is not further disclosed because of its relative insignificance to the County's financial statements.

For the year ended June 30, 2019, 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, 2019, the County recognized pension expense of $11,676.

Note 14 - Interfund balances and activity

Interfund receivables and payables—Interfund balances at June 30, 2019, 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, 2019, were as follows:

	Public Works Fund	Other Governmental Funds	Total
Transfers from			
General Fund	$10,121	$75,580	$85,701

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.

In October 2020, Gila County issued $16,855,000 of taxable series 2020 pledged revenue obligations with interest rates between 0.505 percent and 3.222 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 pay a significant portion of the County's unfunded pension liability.

Other Required Supplementary Information

Gila County

Required supplementary information
Budgetary comparison schedule
General fund
Year ended June 30, 2019

	Original and final budgeted amounts	Actual amounts	Variance with final budget
Revenues:			
Taxes	$ 24,250,546	$ 24,190,830	$ (59,716)
Licenses and permits	570,000	570,959	959
Intergovernmental	13,007,373	14,323,299	1,315,926
Charges for services	761,400	876,147	114,747
Fines and forfeitures	370,528	462,899	92,371
Donations and contributions	72	1,633	1,561
Investment earnings	150,000	374,997	224,997
Miscellaneous	99,339	766,950	667,611
Total revenues	39,209,258	41,567,714	2,358,456
Expenditures:			
Current:			
General government			
Administrative services	232,798	229,881	2,917
Assessor	1,138,058	1,033,275	104,783
Board of supervisors (including fund 1870)	1,968,595	1,801,247	167,348
Community development	1,294,527	1,097,818	196,709
Computer services	1,073,811	1,003,606	70,205
Elections	398,323	467,510	(69,187)
Facilities management	1,972,511	2,052,975	(80,464)
Finance/purchasing	1,103,276	934,548	168,728
General administration	179,579	821,847	(642,268)
Personnel	856,410	757,160	99,250
Professional services	851,300	1,006,700	(155,400)
Recorder	742,157	516,307	225,850
Treasurer	566,524	540,515	26,009
Contingency reserve	500,000	2,378	497,622
Taxpayer stabilization (funds 1003, 1004 & 1006)	12,000,000		12,000,000

(Continued)

See accompanying notes to budgetary comparison schedule.

Gila County
Required supplementary information
Budgetary comparison schedule
General fund
Year ended June 30, 2019
(Continued)

	Original and final budgeted amounts	Actual amounts	Variance with final budget
Judicial services			
County attorney	$ 2,862,367	$ 2,345,048	$ 517,319
Constable—Globe	189,408	196,307	(6,899)
Constable—Payson	225,871	218,263	7,608
Justice Court—Globe	683,348	678,699	4,649
Justice Court—Payson	661,016	639,926	21,090
Indigent legal defense	1,275,700	1,325,022	(49,322)
Clerk of the superior court	1,480,750	1,359,912	120,838
Superior Court—Division I	166,918	162,877	4,041
Superior Court—Division II	162,656	163,150	(494)
Superior Court—General	929,970	832,547	97,423
Total general government	33,515,873	20,187,518	13,328,355
Public safety			
County sheriff (facilities management)	13,265,963	13,044,977	220,986
Emergency services (including GIS Rural Addressing)	315,756	337,005	(21,249)
Flood plain management	218,886	215,535	3,351
Juvenile detention	870,539	770,979	99,560
Probation	1,046,244	949,152	97,092
Total public safety	15,717,388	15,317,648	399,740
Welfare			
AHCCCS contributions	3,621,701	3,558,578	63,123
Community agencies	348,000	383,000	(35,000)
Public fiduciary	507,121	482,958	24,163
Total welfare	4,476,822	4,424,536	52,286

(Continued)

See accompanying notes to budgetary comparison schedule.

Gila County
Required supplementary information
Budgetary comparison schedule
General fund
Year ended June 30, 2019
(Concluded)

	Original and final budgeted amounts	Actual amounts	Variance with final budget
Education			
School superintendent	$ 413,623	$ 1,397,712	$ (984,089)
Special School Reserve	5,000		5,000
Total education	418,623	1,397,712	(979,089)
Capital Outlay (funds 1007, 1114 & 1115)	10,850,000	1,843,140	9,006,860
Debt service	845,000	845,610	(610)
Total expenditures	65,823,706	44,016,164	21,807,542
Excess (deficiency) of revenues over expenditures	(26,614,448)	(2,448,450)	24,165,998
Other financing sources (uses)			
Proceeds from sale of capital assets		20,150	20,150
Indirect costs		1,034,884	1,034,884
Other financing source	8,500,000		(8,500,000)
Transfers out	(1,493,504)	(85,701)	1,407,803
Total other financing sources (uses)	7,006,496	969,333	(6,037,163)
Net change in fund balances	(19,607,952)	(1,479,117)	18,128,835
Fund balances, July 1, 2018	19,607,952	15,763,471	(3,844,481)
Decrease in reserve for inventories		71,936	71,936
Fund balances, June 30, 2019	$ -	$ 14,356,290	$ 14,356,290

See accompanying notes to budgetary comparison schedule.

Gila County

Required supplementary information
Budgetary comparison schedule
Public works fund
Year ended June 30, 2019

	Original and final budgeted amounts	Actual amounts	Variance with final budget
Revenues:			
Taxes	$ 1,366,800	$ 1,514,563	$ 147,763
Licenses and permits	39,000	7,974	(31,026)
Intergovernmental	5,016,000	5,766,756	750,756
Investment earnings	26,000	259,904	233,904
Miscellaneous	25,250	33,129	7,879
Total revenues	6,473,050	7,582,326	1,109,276
Expenditures:			
Highways and streets	11,591,263	8,116,977	3,474,286
Total expenditures	11,591,263	8,116,977	3,474,286
Excess (deficiency) of revenues over expenditures	(5,118,213)	(534,651)	4,583,562
Other financing sources (uses):			
Proceeds from sale of capital assets		67,950	67,950
Transfers in		10,121	(10,121)
Total other financing sources and uses		78,071	57,829
Net change in fund balances	(5,118,213)	(456,580)	4,661,633
Beginning fund balance	5,118,213	10,216,087	5,097,874
Increase in reserve for inventory		101,568	101,568
Ending fund balance	$ -	$ 9,861,075	$ 9,861,075

See accompanying notes to budgetary comparison schedule.

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	Public Works Fund
Deficiency of revenues over expenditures from the statement of revenues, expenditures, and changes in fund balances	$(1,413,566)	$(749,986)
Indirect cost expenditures allocated to other county funds	(1,034,884)	
Present value of net minimum installment purchase contract payments		215,335
Deficiency of revenues over expenditures from the budgetary comparison schedule	$(2,448,450)	$(534,651)

Gila County
Required supplementary information
Notes to budgetary comparison schedules
June 30, 2019

Note 3 - Expenditures in excess of appropriations

For the year ended June 30, 2019, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

Fund/department	Excess
General fund:	
Elections	$ 69,187
Facilities Management	80,464
General Administration	642,269
Professional Services	155,400
Constable - Globe	6,899
Indigent Legal Defense	49,322
Superior Court – Division II	494
Emergency Services	21,249
Community Agencies	35,000
School Superintendent	984,089
Debt Service	610

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 2019, the County School Superintendent's Office received national forest monies of $968,617 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, 2019

Arizona State Retirement System

	Reporting fiscal year (Measurement date)					
	2019 (2018)	**2018 (2017)**	**2017 (2016)**	**2016 (2015)**	**2015 (2014)**	**2014 through 2010**
County's proportion of the net pension liability	0.17%	0.17%	0.17%	0.18%	0.19%	
County's proportionate share of the net pension liability	$ 23,817,800	$ 25,870,469	$ 28,096,646	$ 28,452,591	$ 28,415,012	
County's covered payroll	$ 17,311,838	$ 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	137.58%	152.21%	170.65%	167.76%	159.04%	
Plan fiduciary net position as a percentage of the total pension liability	73.40%	69.92%	67.06%	68.35%	69.49%	

Corrections Officer Retirement Plan—Administrative Office of the Courts

	Reporting fiscal year (Measurement date)					
	2019 (2018)	**2018 (2017)**	**2017 (2016)**	**2016 (2015)**	**2015 (2014)**	**2014 through 2010**
County's proportion of the net pension liability	0.88%	0.97%	1.31%	1.38%	1.55%	
County's proportionate share of the net pension liability	$ 3,161,337	$ 3,907,213	$ 3,704,368	$ 3,344,124	$ 3,475,563	
County's covered payroll	$ 1,000,857	$ 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	315.86%	341.58%	255.01%	217.20%	208.37%	
Plan fiduciary net position as a percentage of the total pension liability	53.72%	49.21%	54.81%	57.89%	58.59%	

Elected Officials Retirement Plan

	Reporting fiscal year (Measurement date)					
	2019 (2018)	**2018 (2017)**	**2017 (2016)**	**2016 (2015)**	**2015 (2014)**	**2014 through 2010**
County's proportion of the net pension liability	1.14%	1.12%	1.21%	1.26%	1.29%	
County's proportionate share of the net pension liability	$ 7,203,131	$ 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	1,234,210	2,828,330	2,363,282	3,074,311	2,645,585	
Total	$ 8,437,341	$ 16,455,815	$ 13,809,191	$ 12,935,508	$ 11,274,108	Information not available
County's covered payroll	$ 990,519	$ 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	727.21%	1419.62%	1170.41%	869.35%	729.57%	
Plan fiduciary net position as a percentage of the total pension liability	30.36%	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, 2019

PSPRS Sheriff

	Reporting fiscal year (Measurement date)					
	2019 (2018)	**2018 (2017)**	**2017 (2016)**	**2016 (2015)**	**2015 (2014)**	**2014 through 2010**
Total pension liability						
Service cost	$ 385,131	$ 502,240	$ 403,538	$ 299,129	$ 367,275	
Interest on the total pension liability	1,411,326	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	(369,481)	(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	(1,198,129)	(1,386,848)	(1,282,671)	(1,040,337)	(901,225)	
Net change in total pension liability	228,847	1,351,988	797,089	520,192	3,236,980	
Total pension liability—beginning	19,478,466	18,126,478	17,329,389	16,809,197	13,572,217	
Total pension liability—ending (a)	$19,707,313	$19,478,466	$18,126,478	$17,329,389	$16,809,197	
Plan fiduciary net position						
Contributions—employer	$ 1,119,625	$ 951,182	$ 867,460	$ 641,694	$ 520,920	
Contributions—employee	190,551	245,455	243,186	211,706	175,906	
Net investment income	454,476	723,993	37,079	230,228	792,461	Information not available
Benefit payments, including refunds of employee contributions	(1,198,129)	(1,386,848)	(1,282,671)	(1,040,337)	(901,225)	
Hall/Parker Settlement	(271,741)					
Administrative expense	(7,617)	(6,806)	(5,735)	(5,984)	(6,383)	
Other changes	80	(18,616)	10,578	(47,732)	87,607	
Net change in plan fiduciary net position	287,245	508,360	(130,103)	(10,425)	669,286	
Plan fiduciary net position—beginning	6,739,617	6,231,257	6,361,360	6,371,785	5,702,499	
Plan fiduciary net position—ending (b)	$ 7,026,862	$ 6,739,617	$ 6,231,257	$ 6,361,360	$ 6,371,785	
County's net pension liability—ending (a) – (b)	$12,680,451	$12,738,849	$11,895,221	$10,968,029	$10,437,412	
Plan fiduciary net position as a percentage of the total pension liability	35.66%	34.60%	34.38%	36.71%	37.91%	
Covered payroll	$ 2,264,762	$ 2,362,113	$ 2,167,935	$ 2,001,288	$ 1,895,363	
County's net pension liability as a percentage of covered payroll	559.90%	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, 2019

CORP Detention	Reporting fiscal year (Measurement date) 2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2010
Total pension liability						
Service cost	$ 362,086	$ 365,615	$ 341,734	$ 322,777	$ 349,379	
Interest on the total pension liability	504,600	420,698	368,315	353,739	322,522	
Changes of benefit terms	(322,827)	997,825	10,391		24,688	
Differences between expected and actual experience in the measurement of the pension liability	(138,314)	(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	(544,308)	(285,348)	(258,317)	(372,466)	(148,202)	
Net change in total pension liability	(138,763)	1,340,868	918,961	119,134	523,099	
Total pension liability—beginning	6,910,035	5,569,167	4,650,206	4,531,072	4,007,973	
Total pension liability—ending (a)	$ 6,771,272	$ 6,910,035	$ 5,569,167	$ 4,650,206	$ 4,531,072	
Plan fiduciary net position						
Contributions—employer	$ 238,843	$ 204,740	$ 191,008	$ 181,989	$ 191,319	
Contributions—employee	194,274	197,659	187,968	188,093	186,454	
Net investment income	335,380	501,516	25,007	144,624	461,443	Information not available
Benefit payments, including refunds of employee contributions	(544,308)	(285,348)	(258,317)	(372,466)	(148,202)	
Administrative expense	(5,774)	(4,787)	(3,936)	(3,947)	(3,628)	
Other changes	(8,510)	384	8,800	(3,075)	(544)	
Net change in plan fiduciary net position	209,905	614,164	150,530	135,218	686,842	
Plan fiduciary net position—beginning	4,800,510	4,186,346	4,035,816	3,900,598	3,213,756	
Plan fiduciary net position—ending (b)	$ 5,010,415	$ 4,800,510	$ 4,186,346	$ 4,035,816	$ 3,900,598	
County's net pension liability—ending (a) – (b)	$ 1,760,857	$ 2,109,525	$ 1,382,821	$ 614,390	$ 630,474	
Plan fiduciary net position as a percentage of the total pension liability	74.00%	69.47%	75.17%	86.79%	86.09%	
Covered payroll	$ 2,368,007	$ 2,552,674	$ 2,226,105	$ 2,058,827	$ 2,074,538	
County's net pension liability as a percentage of covered payroll	74.36%	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, 2019

CORP Dispatchers

	Reporting fiscal year (Measurement date) 2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2010
Total pension liability						
Service cost	$ 30,034	$ 32,295	$ 35,574	$ 30,280	$ 39,102	
Interest on the total pension liability	171,554	147,775	140,477	130,939	127,496	
Changes of benefit terms	(130,830)	384,994	6,381		12,908	
Differences between expected and actual experience in the measurement of the pension liability	(199,521)	(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	(91,254)	(83,034)	(124,520)	(80,128)	(136,774)	
Net change in total pension liability	(220,017)	353,202	161,714	141,054	19,947	
Total pension liability—beginning	2,348,905	1,995,703	1,833,989	1,692,935	1,672,988	
Total pension liability—ending (a)	$ 2,128,888	$ 2,348,905	$ 1,995,703	$ 1,833,989	$ 1,692,935	
Plan fiduciary net position						
Contributions—employer	$ 47,658	$ 37,583	$ 35,930	$ 30,530	$ 26,396	
Contributions—employee	14,692	17,241	20,184	20,252	20,281	
Net investment income	93,455	141,868	7,545	45,656	158,620	Information not available
Benefit payments, including refunds of employee contributions	(91,254)	(83,034)	(124,520)	(80,128)	(136,774)	
Administrative expense	(2,114)	(1,641)	(1,467)	(1,505)	(1,247)	
Other changes	(26)	(8)	(9)	(1,172)	(19,995)	
Net change in plan fiduciary net position	62,411	112,009	(62,337)	13,633	47,281	
Plan fiduciary net position—beginning	1,315,885	1,203,876	1,266,213	1,252,580	1,205,299	
Plan fiduciary net position—ending (b)	$ 1,378,296	$ 1,315,885	$ 1,203,876	$ 1,266,213	$ 1,252,580	
County's net pension liability—ending (a) – (b)	$ 750,592	$ 1,033,020	$ 791,827	$ 567,776	$ 440,355	
Plan fiduciary net position as a percentage of the total pension liability	64.74%	56.02%	60.32%	69.04%	73.99%	
Covered payroll	$ 184,578	$ 226,100	$ 254,265	$ 254,000	$ 254,265	
County's net pension liability as a percentage of covered payroll	406.65%	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, 2019

Arizona State Retirement System

	Reporting fiscal year						
	2019	2018	2017	2016	2015	2014	2013-2010
Statutorily required contribution	$ 2,081,679	$ 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	2,081,679	1,850,254	1,746,245	1,768,338	1,832,179	1,852,259	
County's contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	
County's covered payroll	$18,326,508	$17,311,838	$16,996,911	$16,464,044	$16,959,971	$17,866,484	
County's contributions as a percentage of covered payroll	11.36%	10.69%	10.27%	10.74%	10.80%	10.37%	

Corrections Officer Retirement Plan—Administrative Office of the Courts

	Reporting fiscal year						
	2019	2018	2017	2016	2015	2014	2013-2010
Statutorily required contribution	$ 358,953	$ 228,649	$ 218,961	$ 276,212	$ 227,801	$ 240,875	Information not available
County's contributions in relation to the statutorily required contribution	358,953	228,649	218,961	276,212	227,801	240,875	
County's contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	
County's covered payroll	$ 1,106,855	$ 1,000,857	$ 1,143,874	$ 1,452,609	$ 1,539,683	$ 1,667,965	
County's contributions as a percentage of covered payroll	32.43%	22.85%	19.14%	19.01%	14.80%	14.44%	

Elected Officials Retirement Plan

	Reporting fiscal year						
	2019	2018	2017	2016	2015	2014	2013-2010
Statutorily required contribution	$ 607,608	$ 257,846	$ 208,566	$ 250,016	$ 265,481	$ 274,171	Information not available
County's contributions in relation to the statutorily required contribution	512,123	76,787	208,566	250,016	265,481	274,171	
County's contribution deficiency (excess)	$ 95,485	$ 181,059	$ -	$ -	$ -	$ -	
County's covered payroll	$ 1,072,272	$ 990,519	$ 959,940	$ 977,941	$ 1,134,316	$ 1,182,686	
County's contributions as a percentage of covered payroll	47.76%	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, 2019

PSPRS Sheriff

	Reporting fiscal year						
	2019	2018	2017	2016	2015	2014	2013-2010
Actuarially determined contribution	$ 1,303,462	$ 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	1,303,462	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	$ 2,588,340	$ 2,264,762	$ 2,362,113	$ 2,167,935	$ 2,001,288	$ 1,895,363	
County's contributions as a percentage of covered payroll	50.36%	39.15%	40.27%	40.01%	32.06%	27.48%	

CORP Detention

	Reporting fiscal year						
	2019	2018	2017	2016	2015	2014	2013-2010
Actuarially determined contribution	$ 291,129	$ 238,843	$ 221,827	$ 208,141	$ 181,989	$ 191,319	Information not available
County's contributions in relation to the actuarially determined contribution	291,129	238,843	204,740	191,008	181,989	191,319	
County's contribution deficiency (excess)	$ -	$ -	$ 17,087	$ 17,133	$ -	$ -	
County's covered payroll	$ 2,465,134	$ 2,368,007	$ 2,552,674	$ 2,226,105	$ 2,058,827	$ 2,074,538	
County's contributions as a percentage of covered payroll	11.81%	10.09%	8.02%	8.58%	8.84%	9.22%	

CORP Dispatchers

	Reporting fiscal year						
	2019	2018	2017	2016	2015	2014	2013-2010
Actuarially determined contribution	$ 65,525	$ 47,658	$ 44,926	$ 47,090	$ 30,530	$ 26,396	Information not available
County's contributions in relation to the actuarially determined contribution	65,525	47,658	37,583	35,930	30,530	26,396	
County's contribution deficiency (excess)	$ -	$ -	$ 7,343	$ 11,160	$ -	$ -	
County's covered payroll	$ 160,443	$ 184,578	$ 226,100	$ 254,265	$ 254,000	$ 254,265	
County's contributions as a percentage of covered payroll	40.84%	25.82%	16.62%	14.13%	12.02%	10.38%	

See accompanying notes to pension plan schedules.

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 2017 actuarial valuation	20 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. 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 2017 actuarial valuation, projected salary increases were decreased from 4.0%–8.0% to 3.5%–7.5% for PSPRS and from 4.0%–7.25% to 3.5%–6.5% for CORP. 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 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS and CORP. 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	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. 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 increased 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 for both PSPRS and EORP and 2019 for only EORP.

The fiscal year 2019 (measurement date 2018) pension liabilities for EORP and CORP reflect the replacement of the permanent benefit increase (PBI) for retirees based on investment returns with a cost of living adjustment based on inflation. Also, the EORP liability and required pension contributions for fiscal year 2019 reflect a statutory change that requires the employer contribution rate to be actuarially determined. This change increased the discount rate used to calculate the liability thereby reducing the total pension liability.

SINGLE AUDIT REPORT

Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of basic financial statements performed in accordance with *Government Auditing Standards*

Members of the Arizona State Legislature

The Board of Supervisors of
Gila County, Arizona

We have audited, 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, the 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, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 21, 2020.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's basic financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-01 through 2019-05 and 2019-07 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-06 to be a significant deficiency.

Compliance and other matters

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

County response to findings

The County's responses to the findings identified in our audit are presented in its corrective action plan at the end of this report. The County is responsible for preparing a corrective action plan to address each finding. The County's responses and corrective action plan were not subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lindsey A. Perry, CPA, CFE
Auditor General

December 21, 2020

LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent auditors' report on compliance for each major federal program; report on internal control over compliance; and report on schedule of expenditures of federal awards required by the Uniform Guidance

Members of the Arizona State Legislature

The Board of Supervisors of
Gila County, Arizona

Report on compliance for each major federal program

We have audited Gila County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on each major federal program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other matters

The results of our auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with the Uniform Guidance and that are described in the accompanying schedule of findings and questioned costs as items 2019-101 and 2019-102. Our opinion on each major federal program is not modified with respect to these matters.

Report on internal control over compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-101 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-102 to be a significant deficiency.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

County response to findings

The County's responses to the findings identified in our audit are presented in its corrective action plan at the end of this report. The County is responsible for preparing a corrective action plan to address each finding. The County's responses and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

Lindsey A. Perry, CPA, CFE
Auditor General

December 21, 2020

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of auditors' results

Financial statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles	**Unmodified**
Internal control over financial reporting	
Material weaknesses identified?	**Yes**
Significant deficiencies identified?	**Yes**
Noncompliance material to the financial statements noted?	**No**

Federal awards

Internal control over major programs	
Material weaknesses identified?	**Yes**
Significant deficiencies identified?	**Yes**
Type of auditors' report issued on compliance for major programs:	**Unmodified**
Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)?	**Yes**

Identification of major programs

CFDA number	Name of federal program or cluster
10.665	Forest Service Schools and Roads Cluster
93.563	Child Support Enforcement
93.568	Low-Income Home Energy Assistance (LIHEAP)

Dollar threshold used to distinguish between Type A and Type B programs	$750,000
Auditee qualified as low-risk auditee?	No

Other matters

Auditee's summary schedule of prior audit findings required to be reported in accordance with 2 CFR §200.516(a)?	Yes

Financial statement findings

2019-01

The County awarded $210,542 to various organizations without requiring them to provide documentation that the monies were used to support economic development that benefited the public, resulting in an elevated risk of misuse of County monies

Condition—During fiscal year 2019, the County did not follow its written policies and procedures for providing economic development funding to nonprofit and governmental entities when the Board of Supervisors awarded $210,542 of Constituent Funds discretionary monies to community organizations for economic development. Specifically, contrary to County policies and procedures:

- The County did not prepare an intergovernmental agreement, memorandum of understanding, or contract enumerating specific services or activities for which the monies should be used that it and the receiving parties could sign.
- A Board member inappropriately used a purchasing card to provide an advance of $2,000 to a local for-profit business. Although the Board member explained that the advance was to make monies available for local nonprofit senior center members' food purchases, the County did not ensure the monies were advanced properly. Therefore, instead of the monies going to the nonprofit senior center to purchase food, the monies went to a for-profit grocery store. The County's policies and procedures specify that monies may be provided only to nonprofit agencies, cities, towns, or other governmental agencies, so advancing them to the for-profit business was inappropriate.

Furthermore, although the County had written policies and procedures for providing monies for economic development, those procedures did not include adequate pre-award and follow-up steps for the County to ensure its monies were spent to provide authorized services and activities that benefited the public.

Effect—The County awarded $210,542 for economic development from its Constituent Funds discretionary spending monies to various organizations without requiring support showing that the monies would be and were used for supporting economic development that benefited the public, resulting in an elevated risk of misuse of County monies.

Cause—The County did not follow its policies and procedures over awarding economic development funding and failed to require awarded organizations to certify that monies would be and were used for intended and authorized purposes.

Criteria—The County should improve and follow its Board of Supervisors Community Agency and Economic Development Funding Policy BOS-FIN-016 and related procedures to help ensure that it complies with the Arizona Constitution Art. IX, Sec. 7, which bans gifts or loans of public monies to associations or corporations.

Recommendations—To help ensure County monies awarded for economic development are used for the intended and authorized services and activities and are constitutional (i.e., not gifts or loans of public monies), the County should follow its existing policies and procedures. In addition, the County should strengthen its existing procedures to further define criteria and guidelines as follows:

1. Include detailed guidelines and requirements that all award recipients must meet to qualify for economic development award monies. For example, the County's policies should describe acceptable award uses, and the County should consider creating an award application where entities would be required to describe their intended uses, such as service and activity goals, expected outcomes, and performance measures and to provide sufficiently detailed budgets indicating how and when the requested monies will be used.

2. Ensure a committee evaluates all award requests before making award decisions and award decisions are approved during the County's Board of Supervisors meetings so the public is aware of the entities to which awards are being allocated.

3. Require awarded entities to report and certify how monies were spent. This report and certification should be required periodically or at least once the specified and approved time frame for expending the monies has occurred.

4. Require awarded entities to return any unexpended monies.

The County's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year finding 2018-01.

2019-02

The County paid for $12,885 of supervisors' travel expenditures without following County policy, resulting in an elevated risk of misuse of County monies

Condition—During fiscal year 2019, the County paid $12,885 in travel expenditures on behalf of its 3 supervisors despite not always having receipts or other documentation to support the travel purpose, the appropriateness of the expenditures, and/or any exceptions provided to the travelers as required by its travel policy and procedures. We reviewed 20 purchase card transactions made by the 3 supervisors and found the following:

The County paid $4,285 in purchase card travel expenditures for its District 2 and District 3 supervisors despite the supervisors not having provided adequate receipts or other documentation to indicate and support the travel purposes. Of these expenditures, the District 3 Supervisor's travel costs included $160 in hotel room upgrades for 1 trip and $482 in additional charges incurred on another trip where he did not stay at the designated conference hotel, which were exceptions to the County travel policy. The County's travel policy and procedures require employees to request the lowest available rate, and the District 3 Supervisor did not document a need for these exceptions within the travel expense reports as required.

Additionally, the County paid for $8,600 in purchase card travel expenditures for the District 1 Supervisor despite the Supervisor not having provided adequate receipts or other documentation to indicate and support the travel purpose, appropriateness of the expenditures, and/or exceptions to the travel policy as required by the County's travel policy. For $6,141 of these District 1 Supervisor's purchase card travel expenditures, the County overpaid cash advances and did not document approval for exceptions to the travel policy. Specifically:

- **County overpaid cash advances it provided to the District 1 Supervisor and did not require her to reconcile and account for cash advances—**For 4 trips, the District 1 Supervisor took $1,820 in per diem cash advances using her purchasing card that were $1,035 in excess of applicable per diem rates for meals and incidentals. In addition, the County did not account for the total cash advances by reconciling with receipts that the Supervisor should have provided. County travel policy and procedures required that the traveler provide receipts to support the use of cash advances and any monies not supported be returned to the County. Providing the advances in this manner may have income tax consequences, including a requirement to treat the advances as compensation. The County had not requested reimbursement for any of these cash advances, including the $1,035 excess.

- **County did not have any record of, and prior County managers either did not have any recollection of approval or did not document approval for exceptions to the County travel policy for the District 1 Supervisor—**We identified $4,321 in travel expenditures that were in violation of the County's travel policy, and there was no documented exception or support that they were an appropriate use of public monies. Specifically:

    - $4,057 in first-class flight purchases for the Supervisor and the Supervisor's spouse who was not a County employee. The County was unable to provide documentation that lower-fare seats were unavailable or the County Manager approved an exception to the travel policy to allow first-class travel, as required by its travel policy. Additionally, the County was unable to provide support that the spouse's flights were an appropriate use of public monies.

    - $264 in travel insurance payments. The County was unable to provide documentation that the County Manager approved an exception to allow the Supervisor, prior to her travel, to purchase travel insurance. The County's travel policy specifically prohibited payment for travel insurance.

We reported similar concerns regarding the District 1 Supervisor's travel in prior years.[1] After these concerns were brought to County management's attention, the County Manager approved in writing specific travel policy exceptions on June 6, 2019, and revised them on July 31, 2019, for the District 1 Supervisor. Such exceptions include allowing the Supervisor to:

- Fly first class for all air travel.

- Bring a travel companion on County business at the County's expense. The companion may also travel first class for all air travel.

- Take cash advances of $500 prior to travel on County business to be used for gratuities and other de minimis travel expenses such as valet parking. Cash advances should be supported with receipts or other documents to support the travel advance made, and any monies advanced not expended shall be returned to the County.

- Purchase travel insurance.

Effect—The County paid for $12,885 of the 3 supervisors' travel expenditures without following the County's travel policy and procedures, resulting in an elevated risk of misuse of County monies.

Cause—The County failed to follow its travel policy and procedures.

[1] Arizona Auditor General (2020 and 2019), Gila County Single Audit Report Year Ended June 30, 2018 (p. 10) and the Gila County Single Audit Report Year Ended June 30, 2017 (p. 10). Phoenix: Arizona Auditor General.

Criteria—The County should follow its travel policy and procedures for all travel expenditures, including those for all members of the Board of Supervisors, to help ensure it complies with the Arizona Constitution, Art. IX, Sec. 7, which bans gifts or loans of public monies to individuals.

Recommendations—To help ensure travel expenditures are appropriate and constitutional (i.e., not gifts or loans of public monies), the County should not pay for any travel expenditures that do not have the necessary travel expense reports, receipts, and other supporting documentation as required by its travel policy and procedures. Also, the County should formally approve and document any exceptions to its travel policy and procedures and ensure they do not place the County at an elevated risk of misuse of County monies. Further, the County should work with its legal counsel to determine whether any cash advances it provided to the District 1 Supervisor should be reclassified as compensation or be repaid.

The County's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year finding 2018-02.

2019-03

The County's District 1 Supervisor inappropriately used her purchasing card to pay for a private organization's expenses totaling $6,498 contrary to County policy, and the County paid for the expenses, elevating the risk of misuse of public monies and putting the County at risk of violating the Arizona Constitution

Condition—Contrary to County policy, on 2 occasions during fiscal year 2019, the County's District 1 Supervisor inappropriately used her purchasing card to pay for a private organization's conference expenses, which totaled $6,498. Despite the purchases not being for official County business, the County paid the purchasing card expenses. The District 1 Supervisor indicated on her monthly required payment request form that the private organization would reimburse the County for these expenses. The organization repaid the County within approximately 2 months and 3 months, respectively, after the District 1 Supervisor made the 2 purchases, and the County paid the purchasing card bill for these payments before the organization's reimbursement.

Effect—The County spent $6,498 of public monies for non-public purposes, elevating the risk of misuse of County monies and putting the County at risk of violating the Arizona Constitution.

Cause—The County had not trained the District 1 Supervisor on what should be considered purchases for official County business and therefore she believed that making purchases for a private organization that promised to repay the County was appropriate. Further, the County had not properly trained its staff who were responsible for reviewing her purchases, and its policy did not specify what constitutes official County business and the documentation needed when the invoice, receipt, or other support did not make it evident.

Criteria—The County Board of Supervisors Credit Card Usage Policy BOS-FIN-114 requires that purchasing card use be limited to authorized purchases required for official County business. Further, the Arizona Constitution, Art. IX, Sec. 7, bans gifts or loans of public monies to private organizations, such as associations or corporations, by counties.

Recommendations—To ensure County public monies are used for official County business and comply with the Arizona Constitution, the County should:

1. Train all County purchasing card users and those responsible for reviewing their purchases on what is official County business purposes as required by County policy.
2. Revise the County policy to make it clear that if an official County business purpose is not evident from the invoice, receipt, or other support the purchasing card user shall provide documentation that explains why a purchase was for an appropriate County purpose. Otherwise, the purchasing card user will be required to repay the County for any questionable purchases and risk losing purchasing card privileges.
3. Require all purchasing card users to follow the County's revised credit card usage policy requiring that for all purchases they provide invoices and receipts or other support that indicates an appropriate County business purpose.

The County's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

2019-04

The County's financial statement preparation process delayed their issuance and did not prevent or detect significant misstatements, which increased the risk that those relying on the reported financial information could be misled

Condition—The County did not accurately compile and thoroughly review its financial statements. As a result, the County's initially prepared financial statements contained errors that required correction, and the County issued its Annual Financial Report almost 18 months after fiscal year-end, 9 months later than State law requires. Also, it has not yet issued its Annual Expenditure Limitation Report (AELR) that relies on information from the Annual Financial Report and was due 9 months after fiscal year-end. The significant misstatements and misclassifications we identified were corrected by the County and included:

- Landfill Fund misstatements: $397,258 overstatement in liabilities and expenses estimated for landfill closure and postclosure costs and $49,734 overstatement of landfill fees revenues.
- General Fund misstatement: $166,628 overstatement of cash and investments.

Effect—There is an elevated risk that the County's financial statements could contain significant misstatements and mislead those relying on the information. Also, the County did not provide timely financial information to its Board of Supervisors and others who rely on it to make important decisions about the County's operations.

Cause—The County did not have comprehensive policies and procedures or sufficiently trained staff needed to prepare accurate, complete, and timely financial statements in accordance with U.S. generally accepted accounting principles (GAAP). In addition, the County did not perform detailed supervisory reviews to detect and correct misstatements in its financial statements.

Criteria—The County should prepare its financial statements in accordance with GAAP. Accurate financial statements provide valuable information to those charged with governance, management, and other financial statement users to make important decisions about the County's financial operations. Further, State law requires the County to issue its audited Annual Financial Report and AELR within 9 months after fiscal year-end. [Arizona Revised Statutes §41-1279.07(C)]

Recommendations—To help ensure that the County's financial statements are accurate, prepared in accordance with GAAP, issued in a timely manner, and do not mislead those relying on the information, the County should:

1. Develop and implement written comprehensive procedures for preparing its financial statements, including instructions for closing and compiling data from the County's accounting system, preparing common year-end financial statements adjustments, obtaining information not readily available from the accounting system but necessary for financial statement preparation, and performing a detailed supervisory review of the draft financial statements, supporting schedules, and note disclosures.
2. Dedicate appropriate resources, assign employees specific responsibilities, and establish completion dates.
3. Require an employee who is independent of the financial statements' preparation and knowledgeable of GAAP reporting requirements to review the financial statements and related note disclosures. This review should ensure that the financial statements are accurate and complete, properly supported, and presented in accordance with GAAP.

The County's responsible officials' views and planned corrective action are included in its corrective action plan included at the end of this report.

This finding is similar to prior-year finding 2018-03.

2019-05

The County lacked adequate controls over its nearly $36.6 million of capital assets

Condition—The County has not conducted a full physical inventory of its machinery and equipment since 2009 or completed necessary reconciliations to update its records to ensure they were accurate and complete and properly reported in its financial statements. Also, the County did not have a sufficient process to track its construction in progress when multiple projects were included within a single contract to ensure its construction in progress was properly reported in its financial statements.

Effect—The County's capital assets were exposed to potential theft, loss, and misuse, and items may have been inaccurately reported in the financial statements.

Cause—The County's policies and procedures were not detailed enough to provide its employees with sufficient guidance so that they could adequately control, safeguard, and report capital assets, including tracking construction in progress when multiple projects were included within a single contract and requiring a regularly conducted complete physical inventory.

Criteria—The County should have effective internal controls over capital assets that are sufficient to control, safeguard, and report its nearly $36.6 million of capital assets, which comprise 44 percent of the County's total assets.

Recommendations—To help ensure the County's capital assets are safeguarded against theft, loss, and misuse and accurately reported in the financial statements, the County should:

1. Develop and implement detailed capital asset policies and procedures to help appropriately trained employees to properly control, safeguard, and report capital assets, including construction in progress, and depreciation. The written procedures should include processes for reconciling current-year capital

expenditures to current-year capital additions; reconciling current-year capital asset balances to prior-year capital asset balances; and tracking construction expenditures by project, including tracking when the construction projects are to be completed, reclassified, and depreciated.

2. Perform a full physical inventory at least once every 2 years, maintaining the inventory documentation and reconciling the inventory results to the capital asset records to ensure they are accurate and complete.

The County's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year finding 2018-04.

2019-06

The County's deficiencies in its process for managing and documenting its risks may put its operations and IT systems and data at unintended and unnecessary risk

Condition—The County's process for managing and documenting its risks did not include an overall risk assessment process that included identifying, analyzing, and responding to the County-wide information technology (IT) risks, such as potential harm from unauthorized access, use, disclosure, disruption, modification, or destruction of IT data and systems. Also, it did not include identifying, classifying, and inventorying sensitive information that might need stronger access and security controls and evaluating and determining the business functions and IT systems that would need to be restored quickly if the County were impacted by disasters or other system interruptions.

Effect—Without correcting these deficiencies, the County's administration and IT management may put the County's operations and IT systems and data at unintended and unnecessary risk.

Cause—The County designed and approved risk assessment policies in June 2019; however, the County did not have sufficient time to implement these policies and conduct an entity-wide risk assessment before fiscal year-end.

Criteria—The County should follow a credible industry source such as the National Institute of Standards and Technology to help effectively manage risk at the County. Effectively managing risk includes an entity-wide risk assessment process that involves members of the County's administration and IT management. The risk assessment should determine the risks the County faces as it seeks to achieve its objectives to not only report accurate financial information and protect its IT systems and data but to also carry out its overall mission and service objectives. The process should provide the basis for developing appropriate responses based on identified risk tolerances and specific potential risks to which the County might be subjected. To help ensure the County's objectives can be met, an annual risk assessment should consider IT risks. For each identified risk, the County should analyze the identified risk and develop a plan to respond within the context of the County's defined objectives and risk tolerances. The process of managing risks should also address the risk of unauthorized access and use, modification, or loss of sensitive information and the risk of losing the continuity of business operations in the event of a disaster or system interruption.

Recommendations—The County should conduct the following as part of its process for managing risk:

1. Implement its risk assessment policies and ensure that responsible administrative officials and management over finance, IT, and other entity functions provide input in the County's process for managing risk.
2. Perform an annual entity-wide IT risk assessment process that includes evaluating and documenting risks and safeguards. Such risks may include inappropriate access that would affect financial data, system changes that could adversely impact or disrupt system operations, and inadequate or outdated system security.
3. Evaluate and manage the risks of holding sensitive information by identifying, classifying, and inventorying the information the County holds to assess where stronger access and security controls may be needed to protect data in accordance with State statutes and federal regulations.
4. Evaluate and determine the critical organization functions and IT systems that would need to be restored quickly given the potential impact disasters or other IT system interruptions could have on the organization's operations, such as public safety and operations and payroll and accounting, and determine how to prioritize and plan for recovery.

The County's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year finding 2018-06.

2019-07

The County's control procedures over IT systems and data were not sufficient, which increases the risk that the County may not adequately protect those systems and data

Condition—The County's control procedures were not sufficiently developed, documented, and implemented to respond to risks associated with its IT systems and data. The County lacked sufficient procedures over the following:

- **Restricting access—**Procedures did not consistently help prevent or detect unauthorized or inappropriate access to its IT systems and data.
- **Managing system configurations and changes—**Procedures did not ensure configuration settings were securely maintained and all IT system changes were adequately managed.
- **Securing systems and data—**IT security policies and procedures lacked controls to prevent unauthorized or inappropriate access or use, manipulation, damage, or loss.
- **Ensuring operations continue—**Contingency plan lacked key elements related to restoring operations in the event of a disaster or other system interruption.

Effect—There is an increased risk that the County may not adequately protect its IT systems and data, which could result in unauthorized or inappropriate access and/or the loss of confidentiality or integrity of systems and data. It also increases the County's risk of not being able to effectively continue daily operations and completely and accurately recover vital IT systems and data in the event of a disaster or system interruption.

Cause—The County had begun to develop and implement policies and procedures over its IT systems and data; however, the County did not have sufficient time to finalize the policies and implement procedures before fiscal year-end.

Criteria—The County should follow a credible industry source such as the National Institute of Standards and Technology to implement effective internal controls that protect its IT systems and help ensure the integrity and accuracy of the data it maintains, as follows:

- **Restricting access through logical and physical access controls—**Help to ensure systems and data are accessed by users who have a need, systems and data access granted is appropriate, key systems and data access is monitored and reviewed, and physical access to its system infrastructure is protected.
- **Managing system configurations and changes through well-defined, documented configuration management process—**Ensures the County's IT system configurations are documented and that changes to the systems are identified, documented, evaluated for security implications, tested, and approved prior to implementation. This helps limit the possibility of an adverse impact on the system's security or operation. Separating responsibilities is an important control for system changes; the same person who has authority to make system changes should not put the change into production. If those responsibilities cannot be separated, a post-implementation review should be performed to ensure the change was implemented as designed and approved.
- **Securing system and data through IT security internal control policies and procedures—**Help prevent, detect, and respond to instances of unauthorized or inappropriate access or use, manipulation, damage, or loss to its IT systems and data.
- **Ensuring operations continue through a comprehensive, documented, and tested contingency plan—**Provides the preparation necessary to place the plan in operation and helps to ensure business operations continue and systems and data can be recovered in the event of a disaster, system or equipment failure, or other interruption.

Recommendations—The County should:

1. Make it a priority to develop and document comprehensive IT policies and procedures and develop a process to ensure the procedures are being consistently followed.

Restricting access—To restrict access to its IT systems and data, develop, document, and implement processes to:

2. Assign and periodically review employee user access, ensuring appropriateness and compatibility with job responsibilities.
3. Remove terminated employees' access to IT systems and data.
4. Review all other account access to ensure it remains appropriate and necessary.
5. Evaluate the use and appropriateness of accounts shared by 2 or more users and manage the credentials for such accounts.
6. Enhance authentication requirements for IT systems.
7. Protect IT systems and data with session time-outs after a defined period of inactivity.
8. Review data center physical access periodically to determine appropriateness.

Managing system configurations and changes—To configure IT systems securely and manage system changes, develop, document, and implement processes to:

9. Establish and follow a documented change management process for all changes, including patches.
10. Review proposed changes for appropriateness, justification, and security impact.
11. Document changes, testing procedures and results, change approvals, and post-change review.
12. Document a plan to roll back changes in the event of a negative impact to IT systems.
13. Test changes prior to implementation.
14. Perform a post-implementation review to ensure the change was implemented as approved.

15. Maintain configurations for all system services, assets, and infrastructure; manage configuration changes; and monitor the system for unauthorized or unintended configuration changes.

Securing systems and data—To secure IT systems and data, develop, document, and implement processes to:

16. Perform proactive key user and system activity logging and log monitoring, particularly for users with administrative access privileges.
17. Prepare and implement a security-incident-response plan clearly stating how to report and handle such incidents.
18. Provide all employees ongoing training on IT security risks and their responsibilities to ensure systems and data are protected.
19. Improve the information security plan to protect the integrity of the financial reporting systems and data.
20. Ensure awarding and subsequent monitoring of IT vendor contracts is adequately conducted to ensure vendor qualifications and adherence to the vendor contract.

Ensuring operations continue—To ensure operations continue, develop, document, and implement processes to:

21. Update the contingency plan and ensure it includes all critical elements to restore critical operations, including being prepared to move critical operations to a separate alternative site if necessary.
22. Test the contingency plan.
23. Train staff responsible for implementing the contingency plan.
24. Securely maintain backups of systems and data.

The County's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year findings 2018-07.

Federal award findings and questioned costs

2019-101

CFDA number and name: Not Applicable
Questioned costs: N/A

Condition—The County did not accurately compile and thoroughly review its schedule of expenditures of federal awards (SEFA). As a result, the County's initially prepared SEFA contained errors that required correction. Specifically, the County misstated 15 of 31 federal programs by $1,367,374 and understated total federal award expenditures by $536,074. In addition, the County did not always report the correct program name and pass-through entity identifying information. The County corrected the significant misstatements we identified. Further, the County did not submit its Single Audit Report to the federal audit clearinghouse until November 2020, which was 8 months later than the federal reporting deadline.

Effect—The County risks misleading those who rely on reported expenditures and wasting public monies because a misstated SEFA could result in auditors unnecessarily auditing incorrect federal award programs or programs that were not from federal monies. Also, submitting the Single Audit Report late prevents federal agencies from having current information to effectively monitor their programs and could delay corrective actions taken by the County. This finding was not a result of internal control deficiencies of individual federal programs and, accordingly, did not have a direct and material effect on the reporting requirements over the County's major federal programs.

Cause—The County did not have effective policies and procedures in place to identify federal awards in its records and accounting system so that it could prepare an accurate, complete, and timely SEFA and to thoroughly review its SEFA for accuracy and completeness.

Criteria—Federal regulations require the County to maintain effective internal controls to identify in its accounts all federal awards received and expended, prepare an accurate and complete SEFA that reports its federal award expenditures, and submit its Single Audit Report to the federal audit clearinghouse no later than 9 months after fiscal year-end. [2 Code of Federal Regulations (CFR) §§200.302, 200.510, and 200.512]

Recommendation—To help ensure that the County's SEFA is accurate, complete, and timely, the County should develop and implement policies and procedures to separately identify in its accounting system each federal award the County receives and expends and establish a comprehensive review process to help ensure that the SEFA is accurate and complete and complies with Uniform Guidance requirements. Further, the County should improve its financial reporting process so that it can submit its Single Audit Report to the federal audit clearinghouse no later than 9 months after fiscal year-end.

The County's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year finding 2018-101.

2019-102

Cluster name:	**Forest Service Schools and Roads Cluster**
CFDA number and name:	10.665 **Schools and Roads—Grants to States**
Award number and years:	N/A, October 1, 2018 through September 30, 2019
Federal agency:	**Department of Agriculture**
Compliance requirement:	Cash management
Questioned costs:	None

Condition—The County did not distribute $76,732 of program monies to public schools until 46 days after it received the federal award monies.

Effect—The County risks not meeting school districts' operational needs if it does not distribute program monies in a timely manner.

Cause—The County lacked a process to ensure the Board of Supervisors approved the distribution of federal award monies in a timely manner.

Criteria—Federal regulations require the County to take efforts to minimize the time elapsed between the receipt of federal award monies and their distribution or expenditure for program purposes. In addition, the County must maintain effective internal control over its federal award to provide reasonable assurance that it is managing the award in compliance with federal statutes, regulations, and the award terms and conditions. [2 CFR §§200.305(b) and 200.303]

Recommendation—To help ensure that the County effectively manages federal award monies to avoid having idle cash balances and meets the needs of school districts and its citizens, the County's management should ensure the Board of Supervisors approves the federal award allocation to schools prior to actual receipt of the awarded federal monies. Once federal award monies are received, the County should disburse the monies based on the approved allocation as soon as possible.

The County's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year finding 2018-102.

COUNTY SECTION

GILA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2018 - 6/30/2019

Federal Awarding Agency/Program Title	Federal CFDA Number	Name of Funder Pass-Through Entity	Identifying Number Assigned By Funder Pass-Through Entity	Total Amount Provided to Sub-Recipients	Federal Expenditures	Federal Program Total	Cluster Name	Cluster Total
DEPARTMENT OF AGRICULTURE								
WIC SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN	*10.557*	*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*ADHS14-053062 ADHS19-20748*		*$261,438*	*$261,438*	*N/A*	*$0*
STATE ADMINISTRATIVE MATCHING GRANTS FOR THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM	*10.561*	*ARIZONA COMMUNITY ACTION ASSOCIATION*	*NONE*		*$22,677*	*$234,881*	*SNAP CLUSTER*	*$234,881*
STATE ADMINISTRATIVE MATCHING GRANTS FOR THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM	*10.561*	*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*ADHS16-106556*	*$118,000*	*$212,204*	*$234,881*	*SNAP CLUSTER*	*$234,881*
SCHOOLS AND ROADS - GRANTS TO STATES	10.665				$1,205,736	$1,205,736	FOREST SERVICE SCHOOLS AND ROADS CLUSTER	$1,205,736
LAW ENFORCEMENT AGREEMENTS	10.704				$74,589	$74,589	N/A	$0
TOTAL DEPARTMENT OF AGRICULTURE				$118,000	$1,776,644			
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT								
COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII	*14.228*	*ARIZONA DEPARTMENT OF HOUSING*	*123-18*		*$139,103*	*$139,103*	*N/A*	*$0*
HOME INVESTMENT PARTNERSHIPS PROGRAM	*14.239*	*ARIZONA DEPARTMENT OF HOUSING*	*304-18*		*$113,690*	*$113,690*	*N/A*	*$0*
CONTINUUM OF CARE PROGRAM	*14.267*	*ARIZONA DEPARTMENT OF HOUSING*	*502-19*		*$2,500*	*$2,500*	*N/A*	*$0*
SECTION 8 HOUSING CHOICE VOUCHERS	14.871				$327,180	$327,180	HOUSING VOUCHER CLUSTER	$327,180
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					$582,473			
DEPARTMENT OF JUSTICE								
CRIME VICTIM ASSISTANCE	*16.575*	*ARIZONA DEPARTMENT OF PUBLIC SAFETY*	*2018-242*		*$5,317*	*$5,317*	*N/A*	*$0*
CRIME VICTIM COMPENSATION	*16.576*	*ARIZONA CRIMINAL JUSTICE COMMISSION*	*VC-18-052*		*$78,111*	*$78,111*	*N/A*	*$0*
STATE CRIMINAL ALIEN ASSISTANCE PROGRAM	16.606				$1,081	$1,081	N/A	$0
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	*16.738*	*ARIZONA CRIMINAL JUSTICE COMMISSION*	*DC-19-004 DC-19-023*		*$147,647*	*$147,647*	*N/A*	*$0*
TOTAL DEPARTMENT OF JUSTICE					$232,156			
DEPARTMENT OF TRANSPORTATION								
STATE AND COMMUNITY HIGHWAY SAFETY	*20.600*	*GOVERNOR'S OFFICE OF HIGHWAY SAFETY*	*2018-AL-013 2019-PTS-017*		*$11,449*	*$11,449*	*HIGHWAY SAFETY CLUSTER*	*$25,030*
NATIONAL PRIORITY SAFETY PROGRAMS	*20.616*	*GOVERNOR'S OFFICE OF HIGHWAY SAFETY*	*2019-405D-015*		*$13,581*	*$13,581*	*HIGHWAY SAFETY CLUSTER*	*$25,030*
TOTAL DEPARTMENT OF TRANSPORTATION					$25,030			
DEPARTMENT OF ENERGY								
WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS	*81.042*	*ARIZONA DEPARTMENT OF HOUSING*	*221-18*		*$31,279*	*$31,279*	*N/A*	*$0*
TOTAL DEPARTMENT OF ENERGY					$31,279			
DEPARTMENT OF EDUCATION								
ADULT EDUCATION - BASIC GRANTS TO STATES	*84.002*	*ARIZONA DEPARTMENT OF EDUCATION*	*19FAEBE-913181-01A 19FAEIEL-913181-01A 19FAEIET-813181-01A 19FAEAPL-913181-01A*		*$76,769*	*$76,769*	*N/A*	*$0*
SPECIAL EDUCATION GRANTS TO STATES	*84.027*	*ARIZONA DEPARTMENT OF EDUCATION*	*19FESCBG-9112017-09A*		*$1,330*	*$1,330*	*SPECIAL EDUCATION CLUSTER (IDEA)*	*$1,330*
TOTAL DEPARTMENT OF EDUCATION					$78,099			
DEPARTMENT OF HEALTH AND HUMAN SERVICES								
PUBLIC HEALTH EMERGENCY PREPAREDNESS	*93.069*	*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*ADHS17-133182*		*$172,509*	*$172,509*	*N/A*	*$0*
INJURY PREVENTION AND CONTROL RESEARCH AND STATE AND COMMUNITY BASED PROGRAMS	*93.136*	*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*ADHS16-110815*		*$120,535*	*$120,535*	*N/A*	*$0*
IMMUNIZATION COOPERATIVE AGREEMENTS	*93.268*	*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*ADHS18-177678*		*$138,135*	*$138,135*	*N/A*	*$0*
PUBLIC HEALTH EMERGENCY RESPONSE: COOPERATIVE AGREEMENT FOR EMERGENCY RESPONSE: PUBLIC HEALTH CRISIS RESPONSE	*93.354*	*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*ADHS17-133182*		*$83,255*	*$83,255*	*N/A*	*$0*
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)	*93.558*	*ARIZONA DEPARTMENT OF ECONOMIC SECURITY*	*ADES15-089113*		*$159,846*	*$159,846*	*TANF CLUSTER*	*$159,846*
CHILD SUPPORT ENFORCEMENT	*93.563*	*ARIZONA DEPARTMENT OF ECONOMIC SECURITY*	*DI16-002156 DI18-002174 DI18-002151*		*$702,015*	*$702,015*	*N/A*	*$0*
LOW-INCOME HOME ENERGY ASSISTANCE	*93.568*	*ARIZONA DEPARTMENT OF ECONOMIC SECURITY*	*ADES15-089113*		*$196,865*	*$338,479*	*N/A*	*$0*
LOW-INCOME HOME ENERGY ASSISTANCE	*93.568*	*ARIZONA DEPARTMENT OF HOUSING*	*221-18*		*$141,614*	*$338,479*	*N/A*	*$0*
COMMUNITY SERVICES BLOCK GRANT	*93.569*	*ARIZONA DEPARTMENT OF ECONOMIC SECURITY*	*ADES15-089113*		*$154,647*	*$154,647*	*N/A*	*$0*
GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAMS	*93.597*	*ARIZONA DEPARTMENT OF ECONOMIC SECURITY*	*D116-002146*		*$8,443*	*$8,443*	*N/A*	*$0*
HIV CARE FORMULA GRANTS	*93.917*	*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*ADHS18-193949*		*$228,644*	*$228,644*	*N/A*	*$0*
HIV PREVENTION ACTIVITIES_ HEALTH DEPARTMENT BASED	*93.940*	*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*ADHS18-188825*		*$4,216*	*$4,216*	*N/A*	*$0*
PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT	*93.991*	*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*ADHS16-098369*		*$48,840*	*$48,840*	*N/A*	*$0*
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	*93.994*	*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*ADHS16-098369*		*$89,840*	*$89,840*	*N/A*	*$0*
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES					$2,249,404			
TOTAL EXPENDITURE OF FEDERAL AWARDS				$118,000	$4,975,085			

Please Note:

Italicized award lines indicate pass-through funding

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of the schedule.

GILA COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2018 - 6/30/2019

Significant Accounting Policies Used in Preparing the SEFA

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

10% De Minimis Cost Rate

The County did not elect to use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414.

Basis of presentation

The accompanying schedule of expenditures of federal awards (schedule) includes Gila County's federal grant activity for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* .

Catalog of Federal Domestic Assistance (CFDA) number

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2019 *Catalog of Federal Domestic Assistance* .

COUNTY RESPONSE

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December 21, 2020

Lindsey Perry,
Auditor General
2910 N. 44th St., Ste. 410
Phoenix, Arizona 85018

Dear Ms. Perry,

We have prepared the accompanying Corrective Action Plan as required by the standards applicable to financial audits contained in *Government Auditing Standards* and by U.S. Office of Management and Uniform Guidance. Specifically, for each financial reporting finding we are providing you with the corrective action planned and for each federal award finding we are providing you with the names of the contact persons responsible for corrective action, the corrective action planned, and the anticipated completion date that is included in the Schedule of Findings and Questioned Costs.

Sincerely,

Mary Jane Springer
Finance Director

Gila County
Corrective Action Plan
Year Ended June 30, 2019

Financial Statement Findings

2019-01

The County should improve its policies and procedures to ensure monies awarded for economic development are used for the intended and authorized services and activities and are constitutional.

Contact: Mary Jane Springer, Finance Director
Anticipated Completion Date: March 31, 2021

Corrective Action Plan: To help ensure that the County provides funding for economic development activities that are used for the intended purposes and that are constitutional the County will revise its policy and procedures. In addition, each request will be reviewed by the County Manager and Finance Director to ensure the policy and procedures are followed and the required documentation is included. Each agreement executed by the County and requesting party will require that the funds will be utilized as intended and any unexpended funds will be returned to the County.

2019-02

The County should follow its travel policy and procedures for all travel expenditures, including those for all members of the Board of Supervisors, to help ensure it complies with the Arizona Constitution, Art. IX, Sec. 7, which bans gifts or loans of public monies to individuals.
Contact: Mary Jane Springer, Finance Director
Anticipated Completion Date: June 30, 2021

Corrective Action: The Finance Department has implemented additional training to Departments on the travel policy and the required forms and documentation required for approved travel expenses. Staff will verify that correct per diem rates are used and when necessary, get advanced approval and document any additional per diem expenses necessary to provide accommodations for the traveler and/or approved companion. Room upgrades that include the cost of meals as a cost savings measure to minimize per diem will be reviewed and approved in advance on a case by case basis as an exception to the travel policy. Certain travel exceptions noted in the finding were reviewed by the County Manager and approved on June 6, 2019. The County Manager will review travel expenditures for the County Supervisors and approve future exceptions as necessary to aid them in fulfillment of their constitutional responsibilities representing Gila County.

2018-03

The County should improve its policies and procedures to ensure credit card purchases comply with the Arizona Constitution, Art. IX, Sec. 7, which bans gifts or loans of public monies to private organizations. In addition, the County should revise its County Credit Card policy to ensure that proper documentation is retained demonstrating that the purpose of the expenditure was for official County Business.

Contact: Mary Jane Springer, Finance Director

Anticipated Completion Date: March 31, 2021

Corrective Action Plan: To help ensure that County employees comply with the Credit Card Policy, staff will review and revise the policy to ensure clarity in the responsibility of the credit card holder that purchases must be for official County business and proper documentation is retained. Staff will provide additional training on revised Credit Card Policy to all Elected Offices and Departments.

2019-04

The County should improve its policies and procedures to accurately compile, record, and report financial information in its annual financial report and issue its report in a timely manner.

Contact: Mary Jane Springer, Finance Director
Anticipated Completion Date: May 31, 2021

Corrective Action Plan: To help ensure that the County's financial statements and note disclosures are accurate, complete, follow GAAP, and are issued in time to meet the Single Audit reporting requirements the County will develop and implement comprehensive written policies and procedures, dedicate appropriate staff who are assigned specific responsibilities independent of the person preparing the financial statements to review the statements and related note disclosures. County is working with Arizona AG office and outside consultant to expedite completion of past due financial statements and single audit. Gila County Finance Department had tremendous turnover over the past few years however, as of October 2018 is fully staffed with qualified individuals to perform these functions. New financial policies were adopted by the Board of Supervisors on November 20, 2018. Gila County expects to be current with the financial audits May 31, 2021.

2019-05

The County needs to improve controls over its capital assets

Contact: Mary Jane Springer, Finance Director
Completion Date: December 31, 2020

Corrective Action Plan: To help ensure the County's capital assets are safeguarded against theft and misuse and accurately reported, the County will develop and implement capital asset procedures for properly classifying and disposing of capital assets and for performing a physical inventory at least every 2 years. Physical inventory was completed in 2017 by an outside consulting firm, staff is currently conducting physical inventory and reconciling the physical inventory report to the existing capital asset listing; anticipated completion December 2020. Physical inventory and reconciliation will be completed by March 31, 2021. New capital asset policy was adopted by the Board of Supervisors on November 20, 2018. Training on new capital asset policy and proper procedures for disposal for all departments completed December 2018. On-going training will be conducted as necessary.

2019-06

The County should improve process for managing its risk-assessment to include information technology security by identifying, analyzing, and responding to the County-wide information technology (IT) risks, such as potential harm from unauthorized access, use, disclosure, disruption, modification, or destruction of IT data and systems.

Contact: Mary Jane Springer, Finance Director
Anticipated Completion Date: June 30, 2021

Corrective Action Plan: To help improve its risk-analysis for information and technology security the County IT Department developed a new Security Risk Assessment policy BOS-IT-003 that was adopted by the Board of Supervisors on June 25, 2019. IT will provide appropriate training on the policy requirements and will assist in identification and classification of sensitive information and how to safeguard information with proper controls. IT will develop additional procedures to perform an IT risk-assessment processes. Recently the IT Department has been able to hire additional personnel including staff dedicated to identify and conduct risk-analysis and implement security measures to address unauthorized access, use, disclosure, disruption, and destruction of IT data and systems. Redundant back up systems to protect data and quickly restore operations in the event of any disruption was completed in January 2020.

2019-07

The County should improve Information technology (IT) controls – access, configuration and change management, security, and contingency planning

Contact: Mary Jane Springer, Finance Director
Anticipated Completion Date: June 30, 2021

Corrective Action Plan: To help prevent and detect unauthorized access or use, manipulation, damage, or loss to its IT resources, the County will develop effective logical access policies and procedures over its IT resources. The new IT policies and procedures BOS-IT-002 Access Control and BOS-IT-004 Contingency Planning were adopted by the Board of Supervisors on June 25, 2019. The County will train staff on the policies and procedures and perform periodic reviews of employee user accounts to help ensure appropriate access to network systems are compatible with current job responsibilities. To help ensure county operations continue in the event of a disaster, system or equipment failure, or other interruption, the County will establish a remote data recovery site and exercise its contingency planning procedures at least annually and identify potential system improvements. Data recovery site will be set up by January 2020 and contingency planning procedure testing will be completed by June 30, 2020. Vulnerability scans and penetration testing will be conducted at least annually and evaluate the impact disasters or other system interruptions could have on critical IT resources.
Based on the audit recommendations from FY2018 the following recommendations were implemented:
Access – Security software, quarterly manual reviews, and physical security access has been implemented since February 2019 to prevent unauthorized access so systems, files, and equipment.
Configuration and change management - Control procedures for I.T. staff implemented (August 2019) Implemented format review impacts related to security appropriateness and justification. Utilizes software snapshots taken for rollback if required. System changes are implemented in test environments where applicable and end users report results to IT Administrators. Post implementation review is performed by IT Administrators and end users and any deviations identified and corrected. IT Administrators maintain configurations for all system services, assets, and infrastructure; manage configuration changes; and monitor the system for unauthorized or unintended configuration changes.
Security - Software monitoring and review (implemented Feb 2019). Security incident response reports and root cause analysis implemented, and documentation retained by IT Department. Multi-factor authentication for remote access was implemented in August 2020. On-going periodic internal testing employee response with phishing email and education on suspicious email detection.
Contingency planning - In process of implementing a live offsite VM replicated environment and documenting Disaster Recovery plan anticipated completion December 2020. Offsite back up installed and reporting successful backup jobs using reporting software – completed December 2019.

Federal Award Findings and Questioned Costs

2019-101

CFDA No.: NOT APPLICABLE
Contact: Mary Jane Springer, Finance Director
Anticipated Completion Date: March 31, 2021

Corrective Action Plan: To help ensure that the County prepares the SEFA in compliance with Uniform Guidance, 2 Code of Federal Regulations (CFR) §200.510. The County will develop and implement policies and procedures identify in its accounting system all federal awards the County receives and disburses and establish a review process to help ensure that the SEFA is accurate and complete. Further, the County will improve its financial reporting process so that it can submit its single audit reporting package to the federal clearinghouse no later than 9 months after fiscal year-end in accordance with 2 CFR §200.512.

2019-102

CFDA No.: 10.665 – Schools and Roads—Grants to States
Contact: Mary Jane Springer, Finance Director
Anticipated Completion Date: June 30, 2021

Corrective Action Plan: In accordance with 2 CFR §200.305(b), and §200.303 The County will ensure the Board of Supervisors approves the program allocations prior to receiving program monies. Additionally, the County will minimize the time elapsing between the transfer of funds and disbursement by the recipient.

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October 13, 2020

Lindsey Perry
Auditor General
2910 North 44th Street
Suite 410
Phoenix, AZ 85018

Dear Ms. Perry:

We have prepared the accompanying schedule of prior audit findings as required by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Specifically, we are reporting the status of audit findings included in the prior audit's schedule of findings and questioned costs. This schedule also includes the status of audit findings reported in the prior audit's summary schedule of prior audit findings that were not corrected.

Sincerely,

Mary Jane Springer
Finance Director

Status of Financial Statement Findings

The County should improve its policies and procedures to ensure monies awarded for economic development are used for the intended and authorized services and activities and are constitutional.
Finding No.: 2018-01, 2017-01
Status: Not Corrected

In FY2020 the county is requiring all entities receiving economic development awards to execute an agreement that states the purpose of the funding and a stipulation in the agreement requires the recipient to return any unused portion not expended for the specific purpose. The requests for funding come to the Finance Director and County Manager for review prior to award and the funding is budgeted in the annual budget process. The policy will be reviewed and revised to ensure full compliance when awarding economic development funds completion by March 31, 2021.

The County should follow its travel policy and require necessary travel expense reports, receipts and other documentation including any supporting documentation for exceptions to the travel policy to ensure expenditures are appropriate and constitutional.
Finding No.: 2018-02, 2017-02
Status: Not Corrected

The Finance Department has implemented additional training to Departments on the travel policy and the required forms and documentation required for approved travel expenses. Exceptions to the travel policy are reviewed and approved by the County Manager. Travel exceptions noted in the finding were reviewed by the County Manager and approved on June 6, 2019. The County Manager will review travel expenditures for the County Supervisors and approve future exceptions as necessary to aid them in fulfillment of their constitutional responsibilities representing Gila County. Completion by June 30, 2020.

The County should improve its policies and procedures to accurately compile, record, and report financial information in its annual financial report and issue its report in a timely manner.
Finding No.: 2018-03, 2017-03, 2016-01, 2015-01, 2014-01, 2013-001
Status: Not Corrected

County is working with Arizona AG office and outside consultant to expedite completion of past due financial statements and single audit and anticipating being current with the FY2020 audit by March 31, 2021. As of November 20, 2018, the department was fully-staffed and new policies were adopted by the Gila County Board of Supervisors as follows:

Policy #	Regarding	Adopted
BOS-FIN-101	CALENDAR OF EVENTS	11-20-2018
BOS-FIN-102	CHART OF ACCOUNTS	11-20-2018
BOS-FIN-103	BUDGET	11-20-2018
BOS-FIN-104	ACCOUNTING RECORDS	11-20-2018
BOS-FIN-105	FUND BALANCE	11-20-2018

BOS-FIN-106	FINANCIAL REPORTING	11-20-2018
BOS-FIN-107	AUDIT REQUIREMENTS	11-20-2018
BOS-FIN-108	CASH	11-20-2018
BOS-FIN-109	INVESTMENTS	11-20-2018
BOS-FIN-110	SUPPLIES INVENTORY	11-20-2018
BOS-FIN-111	CAPITAL ASSETS	11-20-2018
BOS-FIN-112	TRAVEL	11-20-2018
BOS-FIN-113	PROCUREMENT	11-20-2018
BOS-FIN-114	CREDIT CARD	11-20-2018

The County needs to improve controls over its capital assets.
Finding No.: 2018-04, 2017-04, 2016-02, 2015-02, 2014-02, 2013-001
Status: Partially Corrected

Physical inventory was completed in 2017 by an outside consulting firm, staff is reconciling the physical inventory report to the capital asset listing to ensure records in financial software system are properly recorded. New capital asset policy (BOS-FIN-111) was adopted by the Board of Supervisors on November 20, 2018. Currently the Finance Department staff is performing the physical inventory scheduled to be completed by December 31, 2020.

The County should improve its policies and procedures to ensure its departments accurately record revenues and safeguard cash receipts
Finding No.: 2016-03, 2015-03, 2014-03, 2013-001
Status: Not Corrected

New Cash policy (BOS-FIN-108) adopted by the Board of Supervisors on November 20, 2018. The County is implementing an automated interface between the Treasurer's system and the Finance accounting software to increase accuracy and timeliness of recording and tracking revenues. Interface implementation to be completed by December 31, 2020.

The County should improve process for managing its risk-assessment to include information technology security by identifying, analyzing, and responding to the County-wide information technology (IT) risks, such as potential harm from unauthorized access, use disclosure, disruption, modification, or destruction of IT data systems.
Finding No.: 2018-06, 2017-05, 2016-04, 2016-06, 2015-07, 2014-08
Status: Not Corrected

To help improve its risk-analysis for information and technology security the County IT Department developed a new Security Risk Assessment policy BOS-IT-003 that was adopted by the Board of Supervisors on June 25, 2019. IT will provide appropriate training on the policy requirements and will assist in identification and classification of sensitive information and how to safeguard information with proper controls. IT will develop additional procedures to perform an IT risk-assessment processes to be completed by December 31, 2020.

To help ensure that the County Treasurer operates under its authority provided by State laws, the County should ensure it renews its line of credit agreement, and the County Treasurer should Establish policies and procedures for registering warrants when credit lines are either exhausted or not available before loaning investment pool monies to pay those warrants.
Finding No.: 2018-05
Status: Corrected

The County established lines of credit with the banking institution on behalf of Gila County Fire and School Districts to allow uninterrupted payment of warrants. Completed July 1, 2018

The County should improve Information Technology (IT) controls – access, configuration and change management, security, and contingency planning.
Finding No.: 2018-07, 2017-06, 2016-05, 2016-06, 2016-04, 2015-06, 2015-07, 2014-07, 2014-08
Status: Not Corrected

To help prevent and detect unauthorized access or use, manipulation, damage, or loss to its IT resources, the County will develop effective logical access policies and procedures over its IT resources. The new IT policies and procedures BOS-IT-002 Access Control and BOS-IT-004 Contingency Planning were adopted by the Board of Supervisors on June 25, 2019. The County will train staff on the policies and procedures and perform periodic reviews of employee user accounts to help ensure appropriate access to network systems are compatible with current job responsibilities. To help ensure county operations continue in the event of a disaster, system or equipment failure, or other interruption, the County will establish a remote data recovery site and exercise its contingency planning procedures at least annually and identify potential system improvements. Data recovery site will be set up by December 31, 2020 and contingency planning procedure testing will be completed by December 31, 2020. Vulnerability scans and penetration testing will be conducted at least annually and evaluate the impact disasters or other system interruptions could have on critical IT resources. IT will develop a configuration/change management policy and associated procedures by the December 31, 2020.

The County should comply with laws governing preparation of budgets.
Finding No.: 2015-05, 2014-06
Status: Corrected

To help ensure compliance with state laws, the County will develop policies and procedures that require the preparation of budgets for departments administered by all elected and appointed county officers. Budget policy was adopted by the Board of Supervisors on November 20, 2018.

The County should comply with laws governing conflict of interest.
Finding No.: 2017-07, 2016-07, 2015-04
Status: Corrected

To help ensure compliance with state laws, the County will develop procedures to verify all public officers prepare and file financial disclosure statements with the Gila County Elections Department annually and retain a copy of employee conflict-of-interest forms for a period of 3 years. The County will review and compile a list of all declared conflicts to ensure potential conflicts are identified and affected public officials or staff is made aware of potential conflicts, so they would properly abstain from participating in awarding County monies to a known conflict. The list of declared conflicts will be compiled annually by staff and provided to appropriate personnel responsible for identifying the conflicts before any action is taken.

The County should comply with laws governing transfers of monies between budgeted line items.
Finding No.: 2017-08
Status: Corrected

To help ensure compliance with state laws, the Finance staff will annually prepare a listing of all transfers to be presented to the Board of Supervisors for approval. The Finance Department prepared and presented a listing of transfers for FY2017, FY2018, and FY2019 to the Board of Supervisors on June 25, 2019 which were approved.

The County should comply with laws requiring all public deposits to be collateralized.
Finding No.: 2017-09
Status: Partially Corrected

To help ensure compliance with laws governing all public deposits to be collateralized the County will revise the existing cash policy, establish procedures and train departments who manage County bank accounts to monitor all bank accounts to ensure that all public deposits are either reported to the Arizona State Treasurer and included in the Arizona Statewide Collateral Pool or deposited with a qualified escrow agent so that they are insured and, if necessary, properly collateralized.

Status of Federal Award Findings and Questioned Costs

CFDA No.: NOT APPLICABLE
Finding No.: 2018-101, 2017-101, 2016-101, 2015-101, 2014-101, 2013-002, 2013-004, 2013-003, 2012-19, 2012-15, 2011-19, 2010-21
Status: Not Corrected

Corrective Action Plan: To help ensure that the County prepares the SEFA in compliance with Uniform Guidance, 2 Code of Federal Regulations (CFR) §200.510. The County will develop and implement policies and procedures identify in its accounting system all federal awards the County receives and disburses and establish a review process to help ensure that the SEFA is accurate and complete. Further, the County will improve its financial reporting process so that it can submit its single audit reporting package to the federal clearinghouse no later than 9 months after fiscal year-end in accordance with 2 CFR §200.512. Anticipated date to be current with audit March 2021.

CFDA No.: 14.871 Section 8 Housing Choice Vouchers
Finding No.: 2017-102
Status: Partially Corrected

Corrective Action Plan – To help ensure that the County complies with its Administrative Plan and does not provide federal housing assistance to those who are not qualified, it should develop and implement quality control document check policies to ensure the forms are accurately prepared if a live-in aide is essential for the care for the eligible tenant. Program supervisors will follow procedures that include obtaining a written verification that demonstrates that a live-in aide is essential for the care for the eligible tenant, retaining this documentation in the tenant file, and performing and reporting annual family composition reexaminations. In addition, the County Community Services Fiscal Manager will follow established policies and procedures for obtaining third-party income verifications. Anticipated completion 12/31/2019.

CFDA No.: 14.871 Section 8 Housing Choice Vouchers
Finding No.: 2018-104, 2017-105
Status: Not Corrected

Corrective Action Plan – The annual financial data schedules were filed timely with HUD however the audit and certification of the financial data schedules have not been completed for FY2017, FY2018, and FY2019. To help ensure that the County meets HUD's financial reporting requirements, the County's Finance Director will engage the auditors annually to perform necessary services on the schedules to ensure they are audited and certified through HUD within the required time frame. Anticipated completion for FY2017 & FY2018 audit and certification October 31, 2020.

CFDA No.: 93.563 Child Support Enforcement
Finding No.: 2018-103, 2017-106, 2016-102, 2015-102, 2014-102
Status: Corrected

CFDA No.: 93.563 Child Support Enforcement
Finding No: 2016-104, 2015-105, 2014-105, 2013-005, 2012-20, 2011-21, 2010-24, 2009-16, 08-19, 07-21, 06-20, 05-21, 04-21, 03-101
Status: Corrected

Corrective Action Plan – Child Support Enforcement: To help ensure that the County complies with 2 CFR §200.302 and 2 CFR §200.303, the County will establish clear policies and procedures that provides reasonable assurance that the County is managing the federal award in compliance with federal statutes. The County hired a Grants Administrator to work with departments to ensure all aspects of the grant follows Federal statutes, regulations and the terms and conditions of the award and that timely submittal of CPES reports occur for each grant program. The County has implemented a change in the chart of accounts structure so that expenditures and reimbursements by a third party can be easily tracked in the accounting system, completion 12/31/2018.

CFDA No.: 93.563 Child Support Enforcement
Finding No: 2015-104, 2014-104, 2013-006
Status: Corrected

Corrective Action Plan – Child Support Enforcement: To help ensure that the County employees payroll costs to the program are supported by timesheets, in 2018 the Finance Department implemented e-timesheets for all county departments to ensure timely and accurate reporting of hours worked. Finance Department hired a grants administrator in 2018 who will provide appropriate guidance, training, and program oversight to departments to ensure that financial results are accurate, current and complete, completion 12/31/2018.

CFDA No.: 93.069 Public Health Emergency Preparedness
Finding No.: 2017-108
Status: Corrected

Corrective Action Plan – To help ensure that the County sufficiently matches the federal award with nonfederal sources to support the program's goals, the County will develop and implement procedures for documenting its matching contributions during the award period. The County will also restructure its accounting system's account code structure to separately identify program expenditures that are reimbursed by the pass-through grantor.

CFDA No.: 93.069 Public Health Emergency Preparedness
Finding No.: 2017-109
Status: Corrected

Corrective Action Plan – To help ensure that it complies with 2 CFR §180.300 and §200.303 the program's requirements for suspension and debarment and managing the federal award in compliance with federal statutes, regulations and award terms and conditions, the County will establish written policies and procedures to verify that vendors have not been suspended or debarred prior to making payments and awarding contracts. The verification will be accomplished by obtaining vendor certifications with all contracts or adding clauses or conditions to contracts awards that are expected to equal or exceed $25,000. Documentation of the verification will be maintained in the procurement file.

CFDA No.: 10.665 – Schools and Roads—Grants to States
Finding No.: 2018-102, 2017-110, 2016-106, 2015-106, 2014-106, 2013-007
Status: Not Corrected

Corrective Action Plan: In accordance with 2 CFR §200.305(b), and §200.303 The County will ensure the Board of Supervisors approves the program allocations prior to receiving program monies. Additionally, the County will minimize the time elapsing between the transfer of funds and disbursement by the recipient by requesting Board approval based on the estimated allocations. Once funds are received actual disbursements will be made and staff will provide final disbursement report to the Board of the Supervisors.