Gila County

Annual Financial and
Single Audit Reports

Year Ended June 30, 2023

A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General

ARIZONA
Auditor General
Making a Positive Difference

ARIZONA
Auditor General
Making a Positive Difference

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

The Joint Legislative Audit Committee

Representative **Matt Gress**, Chair
Representative **Tim Dunn**
Representative **Alma Hernandez**
Representative **Beverly Pingerelli**
Representative **Marcelino Quiñonez**
Representative **Ben Toma** (ex officio)

Senator **Sonny Borrelli**, Vice Chair
Senator **David C. Farnsworth**
Senator **Anthony Kern**
Senator **Juan Mendez**
Senator **Catherine Miranda**
Senator **Warren Petersen** (ex officio)

Audit Staff

Melanie M. Chesney, Deputy Auditor General and Acting Director, Financial Audit Division
Michelle Walters, Manager

Contact Information

Arizona Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018-7271

(602) 553-0333

contact@azauditor.gov

www.azauditor.gov

TABLE OF CONTENTS

Annual Financial Report

Single Audit Report

Auditors section

ANNUAL FINANCIAL REPORT

LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

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 audit of the financial statements

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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, 2023, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for opinions

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 U.S. Comptroller General. Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the financial statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of matter

As discussed in Note 1 to the financial statements, for the year ended June 30, 2023, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Other matters

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 County's Board of Supervisors and 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.

Management's responsibilities for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the audit's planned scope and timing, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 50 through 57, schedule of the County's proportionate share of the net pension—cost-sharing plans on page 58, schedule of changes in the County's net pension liability and related ratios—agent plans on pages 59 through 61, and schedule of County pension contributions on pages 62 through 63 be presented to supplement the basic financial statements. Such information is management's responsibility and, 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information 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. The 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 procedures performed as described above, the accompanying schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2024, 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

Lindsey A. Perry, CPA, CFE
Auditor General

March 29, 2024

Gila County
Management's discussion and analysis
Year Ended June 30, 2023

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, 2023. 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 $39.6 million (net position). Of this amount, $38.4 million is the net investment in capital assets (e.g., land, buildings, improvements, machinery and equipment, infrastructure and construction in progress); $40.2 million is restricted for specific purposes (restricted net position); and $(39.0) million is the County's deficit that is primarily a result of recognizing long-term liabilities related to pensions and other postemployment benefits (OPEB).
- Total assets were $121.8 million, an increase of $7.1 million or 6.2 percent in comparison with the prior fiscal year's balance of $114.7 million.
- Total liabilities were $87.4 million, an increase of $3.6 million or 4.3 percent in comparison with the prior fiscal year's balance of $83.8 million.
- The County reported total deferred outflows of resources related to pensions/OPEB of $8.3 million and deferred inflows of resources related to pensions/OPEB of $3.1 million.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of $41.2 million, an increase of $10.3 million in comparison with the prior year's balance of $30.9 million.
- At the end of the current fiscal year, general fund had an unrestricted fund balance of $13.4 million or 24.6 percent of total general fund expenditures. Of this amount, assigned fund balance for construction projects, rainy day and cash flow reserves was $16.3 million and unassigned deficit was $2.9 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 deferred outflows of resources and liabilities and deferred inflows of resources, 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 through 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 four funds that are considered to be major funds, General, American Rescue Plan Act, Opioid Settlement, 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 10 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 11 and 12 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 13 through 48 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 49 through 65 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 $39.6 million as presented in the following table.

Condensed statement of net position
(in thousands)
June 30, 2023 and 2022

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	$ 58,640	$ 53,157	$10,914	$13,374	$ 69,554	$ 66,531
Capital assets, net	44,720	43,571	7,491	4,634	52,211	48,205
Total assets	103,360	96,728	18,405	18,008	121,765	114,736
Deferred outflows	8,199	8,713	125	149	8,324	8,862
Current and other liabilities	10,798	12,852	406	115	11,204	12,967
Long-term liabilities	71,165	65,690	5,025	5,170	76,190	70,860
Total liabilities	81,963	78,542	5,431	5,285	87,394	83,827
Deferred inflows	3,077	14,341	50	217	3,127	14,558
Net position						
Net investment in capital assets	$ 30,934	$ 29,165	$ 7,432	$ 4,490	$ 38,366	$ 33,655
Restricted	34,022	26,985	6,152	5,675	40,174	32,660
Unrestricted	(38,437)	(43,592)	(535)	2,490	(38,972)	(41,102)
Total net position	$ 26,519	$ 12,558	$13,049	$12,655	$ 39,568	$ 25,213

The largest portion of the County's net position is approximately $38.4 million, or 97.0 percent, that reflects its investment in capital assets (e.g. land, buildings, equipment, vehicles, infrastructure and intangible assets; less accumulated depreciation/amortization 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 $40.2 million, or 101.5 percent, is subject to external restrictions on how they may be used. The County's unrestricted deficit of $39.0 million, or negative 98.5 percent, was an increase of $2.1 million from the prior year's unrestricted deficit of $41.1 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 increase of $5.5 million was primarily due to the receipt of grant monies from the Local Assistance and Tribal Consistency Fund that were unspent as of year end and the $2.6 million receivable from the opioid settlements.

- Deferred outflows and inflows related to pensions and OPEB—the net decrease of $514,359 for the deferred outflows and the net decrease of $11.3 million for deferred inflows related to pensions and OPEB, were a result of the actuarial valuation performed of the County's participated pension plans as of June 30, 2023 and a measurement date of June 30, 2022.

- Long-term liabilities—the net increase of $5.5 million was largely due to a net increase of $6.8 million of the net pension/OPEB liabilities as a result of the actuarial valuation performed of the County's participated pension plans as of June 30, 2023 and a measurement date of June 30, 2022.

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

- Current and other assets—the decrease of $2.5 million was primarily due to spending on the expansion for the Russell Gulch Landfill.

- Capital assets, net—the increase of $2.9 million was primarily due to the expansion of the Russell Gulch Landfill.

Statement of activities—The statement of activities purpose is to present how the government's net position changed during the current fiscal year. At the end of the current fiscal year, the County's net position increased by $11.5 million. The following table presents the changes in net position.

Changes in Net Position
(in thousands)
Years Ended June 30, 2023 and 2022

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	$ 3,148	$ 3,626	$ 2,503	$ 2,711	$ 5,651	$ 6,337
Grants and contributions	36,924	28,698	78		37,002	28,698
General revenues:						
Property taxes	26,601	25,288			26,601	25,288
County excise tax	7,162	6,385			7,162	6,385
Share of state sales taxes	9,021	8,630			9,021	8,630
Shared revenue, state vehicle license tax	2,306	2,233			2,306	2,233
State appropriations	550	550			550	550
Shared revenue, state liquor license tax	15	12			15	12
Payments in lieu of taxes	4,204	3,962			4,204	3,962
Investment income (loss)	336	(982)	239	(171)	575	(1,153)
Miscellaneous	757	1,521			757	1,521
Total revenues	91,024	79,923	2,820	2,540	93,844	82,463
Expenses:						
General government	31,520	25,801			31,520	25,801
Public safety	19,619	23,914			19,619	23,914
Highways and streets	7,247	6,275			7,247	6,275
Health	6,933	7,161			6,933	7,161
Welfare	7,988	6,935			7,988	6,935
Sanitation	198	166	2,426	1,966	2,624	2,132
Culture and recreation	3,403	1,312			3,403	1,312
Education	2,234	2,260			2,234	2,260
Interest on long-term debt	797	815			797	815
Total expenses	79,939	74,639	2,426	1,966	82,365	76,605
Changes in net position	11,085	5,284	394	574	11,479	5,858
Net position—beginning, as restated	15,434	7,274	12,655	12,081	28,089	19,355
Net position—ending	$26,519	$12,558	$13,049	$12,655	$39,568	$25,213

Overall, the governmental activities revenues increased by $11.1 million, or 13.9 percent, and program expenses increased by $5.3 million, or 7.1 percent, in the current fiscal year. The following provides an explanation of governmental activities revenues and expenses that changed significantly compared to the prior year:

Grants and contributions—The net increase of $8.3 million was primarily due to revenue recognition related to the American Rescue Plan Act and Local Assistance and Tribal Consistency Funds received by the County resulting from the COVID-19 pandemic.

Investment income/(loss)—The net increase of $1.3 million was primarily due to increases in investment values at June 30, 2023.

General government expenses—The net increase of $5.7 million is attributable to progress on ARPA Funded Projects and the LATCF funded ongoing governmental operations.

Public safety expenses—The net decrease of $4.3 million was primarily due to a decrease in expenditures related to the flood mitigation efforts after the Telegraph fire in the summer of 2021.

Overall, the business-type activities revenues increased by $279,093, or 11.0 percent, and program expenses increased by $460,519, or 23.4 percent, in the current fiscal year. The increase in expense is primarily due to increased cost of transporting refuse to a nearby landfill.

Financial Analysis of the Governmental Funds

The County reported four major funds for this fiscal year: the General Fund, American Rescue Plan Act Fund, Opioid Settlement Fund, and Public Works Fund. At the end of the current fiscal year, the County's governmental funds reported combined fund balances of $41.2 million, which was an increase of $10.3 million from the prior year. Of the total, $10.4 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 $13.5 million, an increase of $2.0 million, or 17 percent over the prior year's balance of $11.6 million. The unrestricted fund balance of the general fund was $13.4 million, which represents 24.6 percent of total general fund expenditures. This ratio indicates a strong fund balance position in comparison to expenditures.

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

General Fund
Intergovernmental revenues increased $6.5 million primarily due to the receipt of monies from the Local Assistance and Tribal Consistency Funds.

Health expenditures increased $1.9 million as the County started budgeting for health services and rabies control costs in the General Fund.

American Rescue Plan Act
Revenues and expenditures increased by $4.2 million and $3.6 million, respectively as revenues are recognized to the extent of expenditures. Fiscal year 2023 saw progress on various projects including the Pleasant Valley Veteran's retreat center.

Opioid Settlement Fund
Fines and forfeits were $322,783 as the County began receiving distributions from the settlements during the fiscal year.

Public Works Fund
Expenditures decreased $2.0 million primarily due to a decrease in capital expenditures for various equipment purchases and other renovations.

General Fund Budgetary Highlights

General Fund actual expenditures were $25,920,053 under the adopted budget, and actual revenues were more than estimated revenues by $2,879,116. The County had budgeted $500,000 for contingency reserve and $10,000,000 for taxpayer stabilization and did not incur any expenditures during the current fiscal year. The Education department (School Superintendent) had budgeted expenditures of $490,765 while actual expenditures of $1,451,541 were over budget due to not budgeting for the national forest fees of $977,975 passed through to subrecipients (school districts). Grants passed through to subrecipients were recognized as revenues and corresponding expenditures.

The significant County departments and other budgeted line items with actual expenditures in excess of 5 percent of the budget and the reasons are as follows:

- Communities agency excess of $150,524 was primarily due to additional expenses related to intergovernmental agreement.
- School Superintendent over budget expenditure amount of $1,009,869 was due to the unbudgeted pass-through grants as mentioned above for the securing rural schools transactions that were not budgeted.
- The excess in the Debt Service fund was due to the timing of debt payments.

Capital Asset and Debt Administration

Capital assets include land, construction and software development in progress, buildings, machinery and equipment, infrastructure assets (roads, highways, bridges, etc. and intangible software subscriptions). The County's total capital assets net of accumulated depreciation/amortization increased by $4.0 million or 8.3 percent, during the current fiscal year in comparison with the prior year's balance of $48.2 million.

The County's investment in capital assets for its governmental activities, amounts to $44.8 million (net of accumulated depreciation/amortization), a net increase of $1.1 million, or 2.6 percent, from the prior year.

The County's investment in capital assets for its business-type activities, amounts to $7.5 million (net of accumulated depreciation), a net increase of $2.9 million, or 61.6 percent from the prior year.

Major capital asset activity during the fiscal year included:

Governmental Activities:
Construction in progress—The net increase of $2.1 million was primarily due to the work on the Tonto Creek Bridge and fairgrounds improvements.

Business-type Activities:
Construction in progress—The net increase of $2.9 million was primarily due to the expansion of the Russell Gulch Landfill.

Capital Assets at Year-End
(Net of Accumulated Depreciation/Amortization)
(in thousands)
June 30, 2023 and 2022

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	$ 2,402	$ 2,383	$3,000	$3,000	$ 5,402	$ 5,383
Construction in progress	9,260	7,202	2,925	1	12,185	7,203
Intangible development in progress	50				50	
Buildings	18,902	18,790	3	4	18,905	18,794
Improvements other than buildings	534	605	533	563	1,066	1,168
Machinery and equipment	4,735	5,077	826	853	5,561	5,930
Infrastructure	8,795	9,515	203	213	8,998	9,728
Intangible right-to-use	42				42	
Total capital assets, net	$44,720	$43,572	$7,490	$4,634	$52,209	$48,206

Additional information on the County's capital assets can be found in Note 6 on pages 25 through 26 of this report.

Long-term debt—The County's total long-term liabilities as of June 30, 2023, amounts to $76.2 million, a net increase of $5.3 million during the current fiscal year in comparison with the prior year's balance of $70.9 million.

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

Governmental Activities:
- Net pension liability—the net increase of $6.8 million was a result of the actuarial valuation performed of the County's participated pension plans as of June 30, 2023 and a measurement date of June 30, 2022.

Business-Type Activities:
- Landfill closure and postclosure care costs payable—a decrease of $292,364 of landfill closure and postclosure care costs liability calculated by the County's contracted engineering specialist.

- Net pension liability—the net increase of $233,086 of the net pension/OPEB liabilities as a result of the actuarial valuation performed of the County's participated pension plans as of June 30, 2023 and a measurement date of June 30, 2022.

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 $38,416,133. Since the County has no general obligation debt, this amount equals the debt capacity. Additional information on long-term debt can be found in Note 8 on pages 27 through 30 of this report.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for Gila County is 4.9 percent at June 2023 which is slightly higher than the previous year's rate of 4.3 percent. The state unemployment rate was 3.5 percent at June 2023. There is an increase in property assessed valuations with no change in tax rate for fiscal year 2023. These economic factors were considered in preparing the county's budget for this fiscal year 2024.

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, 2023

	Governmental activities	Business-type activities	Total
Assets			
Current assets:			
Cash and investments	$ 46,605,721	$ 4,598,453	$ 51,204,174
Property taxes receivable	454,926		454,926
Accounts receivable	3,161,233	170,792	3,332,025
Interest receivable	149,227	15,266	164,493
Internal balances	48,759	(48,759)	
Due from other governments	4,969,528		4,969,528
Inventories	151,587		151,587
Total current assets	55,540,981	4,735,752	60,276,733
Noncurrent assets:			
Restricted cash and investments		6,151,653	6,151,653
Net pension/other postemployment benefits asset	3,099,505	27,028	3,126,533
Capital assets, not being depreciated/amortized	11,712,545	5,924,951	17,637,496
Capital assets, being depreciated/amortized, net	33,007,299	1,565,800	34,573,099
Total noncurrent assets	47,819,349	13,669,432	61,488,781
Total assets	103,360,330	18,405,184	121,765,514
Deferred outflows of resources			
Deferred outflows related to pensions and OPEB	8,198,538	124,635	8,323,173
Liabilities			
Current liabilities:			
Accounts payable	2,455,023	360,915	2,815,938
Accrued payroll and employee benefits	1,633,996	45,737	1,679,733
Deposits held for others	2,839		2,839
Unearned revenue	6,705,590		6,705,590
Total current liabilities	10,797,448	406,652	11,204,100
Noncurrent liabilities:			
Due within one year	3,416,119	81,731	3,497,850
Due in more than one year	67,749,162	4,942,906	72,692,068
Total noncurrent liabilities	71,165,281	5,024,637	76,189,918
Total liabilities	81,962,729	5,431,289	87,394,018
Deferred inflows of resources			
Deferred inflows related to pensions and OPEB	3,077,037	49,867	3,126,904
Net position			
Net investment in capital assets	30,934,061	7,432,308	38,366,369
Restricted for:			
Public safety	2,341,232		2,341,232
Highways and streets	15,954,927		15,954,927
Health services	3,912,189		3,912,189
Judicial activities	3,808,020		3,808,020
Law enforcement	3,332,296		3,332,296
Education	2,044,647		2,044,647
Sanitation	287,383		287,383
Social services	393,570		393,570
Library	1,141,554		1,141,554
Street lighting improvement	25,491		25,491
Other purposes	780,698		780,698
Landfill closure and postclosure care costs		6,151,653	6,151,653
Unrestricted	(38,436,966)	(535,298)	(38,972,264)
Total net position	$ 26,519,102	$ 13,048,663	$ 39,567,765

See accompanying notes to financial statements.

Gila County
Statement of activities
Year ended June 30, 2023

		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	$31,519,902	$ 2,067,100	$ 8,303,508		$ (21,149,294)	$ -	$ (21,149,294)
Public safety	19,619,136	483,232	9,558,244		(9,577,660)		(9,577,660)
Highways and streets	7,247,410	29,361	27,321	$ 6,421,358	(769,370)		(769,370)
Health	6,932,901	431,037	5,127,558		(1,374,306)		(1,374,306)
Welfare	7,988,417	82,243	2,845,563		(5,060,611)		(5,060,611)
Sanitation	198,262		165,809		(32,453)		(32,453)
Culture and recreation	3,402,983		2,892,849		(510,134)		(510,134)
Education	2,233,514	55,571	1,582,361		(595,582)		(595,582)
Interest on long-term debt	797,120				(797,120)		(797,120)
Total governmental activities	79,939,645	3,148,544	30,503,213	6,421,358	(39,866,530)		(39,866,530)
Business-type activities							
Landfill	2,426,320	2,502,785	-	77,709		$ 154,174	154,174
Total business-type activities	2,426,320	2,502,785	-	77,709		154,174	154,174
Total primary government	$82,365,965	$ 5,651,329	$30,503,213	$ 6,499,067	(39,866,530)	154,174	(39,712,356)
General revenues							
Taxes:							
Property taxes, levied for general purposes					25,132,826		25,132,826
Property taxes, levied for street lighting districts					51,151		51,151
Property taxes, levied for library district					1,416,835		1,416,835
County excise tax for general purpose					4,887,383		4,887,383
County excise tax for transportation purpose					2,274,871		2,274,871
Shared revenue—state sales tax					9,021,146		9,021,146
Shared revenue—state vehicle license tax					2,306,414		2,306,414
State appropriations					550,050		550,050
Shared revenue—state liquor license tax					15,041		15,041
Payments in lieu of taxes					4,203,422		4,203,422
Investment income					336,084	238,844	574,928
Miscellaneous					756,451		756,451
Total general revenues					50,951,674	238,844	51,190,518
Change in net position					11,085,144	393,018	11,478,162
Net position, beginning of year, as restated					15,433,958	12,655,645	28,089,603
Net position, end of year					$ 26,519,102	$13,048,663	$ 39,567,765

See accompanying notes to financial statements.

Gila County
Balance sheet
Governmental funds
June 30, 2023

	General Fund	American Rescue Plan Act	Opioid Settlement	Public Works Fund	Nonmajor governmental funds	Total governmental funds
Assets						
Cash and investments	$ 13,766,979	$ 6,841,970	$ 324,507	$ 15,051,460	$ 10,620,805	$ 46,605,721
Property taxes receivable	447,547				7,379	454,926
Accounts receivable	332,763		2,559,351	3,846	265,273	3,161,233
Interest receivable	61,752			47,414	40,061	149,227
Due from other funds	168,288	3,800			191	172,279
Due from other governments	2,359,435			980,860	1,629,233	4,969,528
Inventory	151,587					151,587
Total assets	17,288,351	6,845,770	2,883,858	16,083,580	12,562,942	55,664,501
Liabilities						
Accounts payable	912,224	1,359,318		40,600	142,881	2,455,023
Accrued payroll and employee benefits	1,207,575			152,988	273,433	1,633,996
Due to other funds	191	27,007		51,062	45,260	123,520
Deposits held for others	2,839					2,839
Unearned revenue	1,236,538	5,459,445			9,607	6,705,590
Total liabilities	3,359,367	6,845,770		244,650	471,181	10,920,968
Deferred inflows of resources						
Unavailable revenue—property taxes	338,622				6,418	345,040
Unavailable revenue—intergovernmental					598,881	598,881
Unavailable revenues—settlements			2,559,351			2,559,351
Unavailable revenue—miscellaneous	56,630				15,995	72,625
Total deferred inflows of resources	395,252		2,559,351		621,294	3,575,897
Fund balances						
Nonspendable	151,587					151,587
Restricted			324,507	15,954,927	14,353,711	30,633,145
Assigned	16,314,107					16,314,107
Unassigned	(2,931,962)			(115,997)	(2,883,244)	(5,931,203)
Total fund balances	13,533,732		324,507	15,838,930	11,470,467	41,167,636
Total liabilities, deferred inflows of resources, and fund balances	$ 17,288,351	$ 6,845,770	$ 2,883,858	$ 16,083,580	$ 12,562,942	$ 55,664,501

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, 2023

Fund balances—total governmental funds	$ 41,167,636
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.	44,719,844
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	3,575,897
Net pension and OPEB assets held in trust for future benefits are not available for County operations and, therefore, are not reported in the funds.	3,099,505
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.	(71,165,281)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.	5,121,501
Net position of governmental activities	$ 26,519,102

See accompanying notes to financial statements.

Gila County
Statement of revenues, expenditures, and changes in fund balances
Governmental funds
Year ended June 30, 2023

	General Fund	American Rescue Plan Act	Opioid Settlement	Public Works Fund	Nonmajor governmental funds	Total governmental funds
Revenues:						
Taxes	$ 30,047,753			$ 2,274,871	$ 1,485,585	$ 33,808,209
Licenses and permits	818,579			10,666		829,245
Intergovernmental	23,911,552	$ 4,325,916		6,402,598	18,892,241	53,532,307
Charges for services	1,141,087			15,356	745,099	1,901,542
Fines and forfeits	383,204		$ 322,783	3,339	24,977	734,303
Donations and contributions	6,004				528,766	534,770
Investment income	(56,805)	269,121	1,724	147,940	(25,896)	336,084
Miscellaneous	610,306			67,571	260,153	938,030
Total revenues	56,861,680	4,595,037	324,507	8,922,341	21,910,925	92,614,490
Expenditures:						
Current:						
General government	26,803,235	1,606,449			2,699,342	31,109,026
Public safety	16,790,179				3,344,801	20,134,980
Highways and streets	268,279			6,925,247	53,732	7,247,258
Health	1,924,200				4,931,825	6,856,025
Welfare	4,966,189				3,260,233	8,226,422
Sanitation	-				119,407	119,407
Culture and recreation	37,564	2,719,467			1,359,717	4,116,748
Education	1,453,086				811,537	2,264,623
Debt service:						
Principal retirement	1,326,106			22,032		1,348,138
Interest and other charges	879,528			7,847		887,375
Total expenditures	54,448,366	4,325,916		6,955,126	16,580,594	82,310,002
Excess (deficiency) of revenues over expenditures	2,413,314	269,121	324,507	1,967,215	5,330,331	10,304,488
Other financing sources (uses):						
Transfers in	37,001			488,028		525,029
Transfers out	(488,028)				(37,001)	(525,029)
Total other financing sources (uses)	(451,027)			488,028	(37,001)	
Net change in fund balances	1,962,287	269,121	324,507	2,455,243	5,293,330	10,304,488
Fund balances, beginning of year, as restated	11,571,156	(269,121)		13,383,687	6,177,137	30,862,859
Increase (decrease) in reserve for inventory	289					289
Fund balances (deficits), June 30, 2023	$ 13,533,732	$ -	$ 324,507	$ 15,838,930	$ 11,470,467	$ 41,167,636

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, 2023

Net change in fund balances—total governmental funds		$10,304,488
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	4,507,003	
Less current year depreciation/amortization	(3,435,394)	1,071,609
In the Statement of Activities, only the gain/loss on the sale of capital assets is reported, whereas 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.		(5,907)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position, also governmental funds report the effect of premiums, discounts, and similar items when debt is issued, whereas these amounts are amortized in the statement of activities.		
Bond premium amortized	90,255	
Principal repaid	1,283,794	
Subscriptions liability repaid	42,312	
Financed purchase contracts principal repaid	22,032	1,438,393
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.		
Pension/OPEB contributions	4,025,266	
Pension/OPEB expense	(4,075,931)	(50,665)
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		(64,602)
Collections of revenues in the governmental funds exceeded revenues reported in the statement of activities		
Property taxes	(45,143)	
Intergovernmental	(1,328,527)	
Settlements	(316,546)	
Miscellaneous	(181,579)	(1,871,795)
Some revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		
EORP subsidy	263,334	263,334
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		289
Change in net position of governmental activities		$ 11,085,144

See accompanying notes to financial statements.

Gila County
Statement of net position
Proprietary fund
June 30, 2023

	Business-type activities— enterprise fund landfill
Assets	
Current assets:	
Cash and investments	$ 4,598,453
Accounts receivable	170,792
Interest receivable	15,266
Total current assets	4,784,511
Noncurrent assets:	
Restricted cash and investments	6,151,653
Net other postemployment benefits asset	27,028
Capital assets not being depreciated	5,924,951
Capital assets, net accumulated depreciation	1,565,800
Total noncurrent assets	13,669,432
Total assets	18,453,943
Deferred outflows of resources	
Deferred outflows related to pensions and other postemployment benefits	124,635
Liabilities	
Current liabilities:	
Accounts payable	360,915
Accrued payroll and employee benefits	45,737
Financed purchases payable	58,443
Compensated absences	23,288
Due to other funds	48,759
Total current liabilities	537,142
Noncurrent liabilities:	
Landfill closure and postclosure care costs payable	4,117,135
Compensated absences payable	14,539
Net pension liability	811,232
Total noncurrent liabilities	4,942,906
Total liabilities	5,480,048
Deferred inflows of resources	
Deferred inflows related to pensions and other postemployment benefits	49,867
Net position	
Net investment in capital assets	7,432,308
Restricted for landfill closure and postclosure care costs	6,151,653
Unrestricted	(535,298)
Total net position	$ 13,048,663

See accompanying notes to financial statements.

Gila County
Statement of revenues, expenses, and changes in fund net position
Proprietary fund
Year ended June 30, 2023

	Business-type activities—enterprise fund landfill
Operating revenues:	
Charges for services	$ 2,478,343
Other	24,442
Total operating revenues	2,502,785
Operating expenses:	
Personal services	1,020,806
Professional services	208,610
Supplies	272,582
Utilities	13,565
Repairs and maintenance	321,923
Landfill closure and postclosure care costs	(292,364)
Depreciation	150,301
Other	730,897
Total operating expenses	2,426,320
Operating income	76,465
Nonoperating revenues	
Investment income	238,844
Total nonoperating revenues	238,844
Income before contributions	
Capital contributions	77,709
Changes in net position	393,018
Total net position, beginning of year	12,655,645
Total net position, end of year	$ 13,048,663

See accompanying notes to financial statements.

Gila County
Statement of cash flows
Proprietary fund
Year ended June 30, 2023

	Business-type activities— enterprise fund landfill
Cash flows from operating activities	
Receipts from customers	$ 2,467,968
Payments to suppliers and providers of goods and services	(1,259,087)
Payments to employee wages and benefits	(925,396)
Net cash provided by operating activities	283,485
Cash flows from capital and related financing activities	
Purchases of capital assets	(2,929,348)
Principal on financed purchases payable	(85,176)
Net cash used for capital and related financing activities	(3,014,524)
Cash flows from investing activities	
Investment loss	238,158
Net cash used for investing activities	238,158
Net increase in cash and cash equivalents	(2,492,881)
Cash and cash equivalents, beginning of year	13,242,987
Cash and cash equivalents, end of year	$ 10,750,106
Reconciliation of operating income to net cash provided by operating activities	
Operating income	$ 76,465
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	150,301
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Due from other funds	1,614
Accounts receivable	(34,817)
Net other postemployment benefits asset	(6,061)
Deferred outflows of resources related to pensions and other postemployment benefits	24,513
Net pension liability	233,086
Deferred inflows of resources related to pensions and other postemployment benefits	(167,099)
Accounts payable	280,257
Accrued payroll and employee benefits	11,622
Due to other funds	6,619
Compensated absences payable	(651)
Landfill closure and postclosure care costs payable	(292,364)
Net cash provided by operating activities	$ 283,485

See accompanying notes to financial statements.

Gila County
Statement of cash flows
Proprietary fund
Year ended June 30, 2023

Noncash Investing, Capital and Noncapital Financing Activities:	
Landfill closure and postclosure care costs expense	$ (292,364)
Landfill closure and postclosure care costs payable	292,364
Contributed capital	77,709
Personal services expense	84,439
Deferred inflows of resources related to pension and other postemployment benefits	167,099
Deferred outflows of resources related to pension and other postemployment benefits	(24,513)
Net other postemployment benefits asset	6,061
Net pension and other postemployment benefits liabilities	$ (233,086)

See accompanying notes to financial statements.

Gila County
Statement of fiduciary net position
Fiduciary funds
June 30, 2023

	Private-purpose trust funds	Custodial funds: External investment pool	Custodial funds: Other
Assets			
Cash and investments	$ 205,057	$ 75,575,170	$ 2,319,384
Taxes receivable for other governments			757,525
Interest and dividends receivable		232,092	4,121
Total assets	$ -	$ 75,807,262	$ 3,081,030
Net position			
Restricted for:			
Pool participants		$ 75,807,262	
Individuals, organizations, and other governments	$ 205,057		$ 3,081,030
Total net position	$ 205,057	$ 75,807,262	$ 3,081,030

See accompanying notes to financial statements.

Gila County
Statement of changes in fiduciary net position
Fiduciary funds
Year ended June 30, 2023

		Custodial funds	
	Private-purpose trust funds	External investment pool	Other
Additions:			
Contributions from pool participants		$140,840,693	
Property tax collections for other governments			$ 47,141,605
Fines and fees collected for other governments			1,185,156
Collections for individuals			1,386,941
Net investment earnings:			
Investment earnings	$ 117	862,591	3,305
Investment costs		(157,363)	(14,304)
Net investment earnings	117	705,228	(10,999)
Inmate collections			479,368
Other	1,263,727		
Total additions	1,263,844	141,545,921	50,182,071
Deductions:			
Distributions to pool participants		135,075,493	
Property tax distributions to other governments			46,351,754
Fines and fees distributions to other governments			735,441
Distributions to individuals			1,402,236
Payments to inmates			545,254
Other	1,371,271		
Total deductions	1,371,271	135,075,493	49,034,685
Change in net position	(107,427)	6,470,428	1,147,386
Net position, beginning of year	312,484	69,336,834	1,933,644
Net position, end of year	$ 205,057	$ 75,807,262	$ 3,081,030

See accompanying notes to financial statements.

Note 1 - Summary of significant accounting policies

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

For the year ended June 30, 2023, the County implemented the provisions of GASB Statement No. 96, Subscription-Based Information Technology Arrangements, which (1) defines a subscription-based information technology arrangement (SBITA); (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. As a result, the County's financial statements have been modified to reflect the implementation of this new standard.

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. The County has no discretely presented component units. Each blended component unit discussed below has a June 30 year-end.

The following table describes the County's component units:

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

B. Basis of presentation

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

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

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

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

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 and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

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 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 *American rescue plan act fund* accounts for monies received under the Coronavirus Local Fiscal Recovery Funds Program. The American Rescue Plan Act provides assistance to counties to recover from the pandemic.

The *Opioid settlement fund* accounts for monies received from the One Arizona Distribution of Opioid Settlement Funds Agreement. The monies will be used to address the effects of the opioid epidemic in the County.

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 major enterprise 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 type:

The fiduciary funds consist of private-purpose trust funds, which account for assets the County's Public Fiduciary holds in trust for the benefit of various parties; and custodial funds, which account for other fiduciary activities, including the pooled assets the County Treasurer holds and invests on behalf of other governmental entities that are not held in trust and the County Treasurer's receipt and distribution of taxes for other governmental entities.

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. 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 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 lease contracts and subscription-based information technology arrangements 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.

All other investments are stated at fair value.

E. Inventories

Inventories in the government-wide and proprietary funds' 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/amortization methods, and estimated useful lives of capital assets are as follows:

	Capitalization threshold	Depreciation/ amortization method	Estimated useful life
Land	$10,000	N/A	N/A
Buildings	10,000	Straight-line	20-40 years
Improvements other than buildings	10,000	Straight-line	15 years
Machinery and equipment	5,000	Straight-line	3-15 years
Infrastructure	10,000	Straight-line	35 years
Intangibles:			
Right-to-use subscription assets	75,000	Straight-line	Varies
Right-to-use lease assets	75,000	Straight-line	Varies

Intangible right-to-use lease assets are amortized over the shorter of the lease term of the useful life of the underlying asset, unless the lease contains a purchase option that the County is reasonably certain of being exercised—then the lease asset is amortized over the useful life of the underlying asset.

Intangible right-to-use subscription assets are amortized over the shorter of the subscription term or the useful life of the underlying IT assets.

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 fiscal year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the government-wide 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. Leases and subscription based information technology arrangements

Leases—As lessee, the County recognizes lease liabilities with an initial, individual value of $75,000 or more for land, buildings, and equipment. The County uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease. The County's estimated incremental borrowing rate is based on the County's current borrowing rate.

As lessor, the County recognizes lease receivables with an initial, individual value of $75,000 or more. If there is no stated rate in the lease contract (or if the stated rate is not the rate the County charges the lessee) and the implicit rate cannot be determined, the County uses its own estimated incremental borrowing rate as the discount rate to measure lease receivables. The County's estimated incremental borrowing rate is calculated as described above.

Subscription-based Information Technology Arrangements—The County recognizes subscription liabilities with an initial, individual value of $75,000 or more. The County uses its estimated incremental borrowing rate to measure subscription liabilities unless it can readily determine the interest rate implicit in the arrangement. The County's estimated incremental borrowing rate is calculated as described above.

N. Settlements

The County is a party to opioid settlement agreements facilitated by the State of Arizona Attorney General against the pharmaceutical distributors who manufactured and marketed opioids. As settlements are finalized, the County records a receivable, net of uncollectible, for amounts anticipated to be received. The County is expected to receive revenue over the next 18 years. For the fiscal year ended June 30, 2023, the County restated governmental activities net position to recognize revenue and settlement receivables (net), as described in Note 10 on page 31, and recorded revenue related to the opioid settlements in the fund statements of $322,783. At June 30, 2023, the County has total deferred inflows of $2,559,351 related to the settlements receivable in the fund statements.

Note 2 – Stewardship, compliance and accountability

The following nonmajor special revenue funds reported deficits in fund balance in excess of $1,000 as of June 30, 2023:

	Deficit
Non-Major Governmental Funds:	
Housing	$543,949
Diversion Program CA	317,669
ELC Plus	254,242
Superior & JP Crts Security	221,501
Aid to Indigent Defense	176,529
COSSAP	175,880
Drug Prosecution Grant 16.738	157,742
GCSO – Body Worn Cameras-16.835	114,449
Attorney's Justice Enhancement	106,783
@Narcotics Task Force	86,458
Conciliation Court Fund	77,587

	Deficit
Non-Major Governmental Funds:	
Housing Rehabilitation	$ 69,756
A G Victim Rights	64,975
Field Trainer	50,579
Crime Victim Assistance Prog	46,858
Law Library Fund	37,955
HIV Consortium 93.917	35,037
Local Probate Assessment Fee	24,140
Teen Pregnancy Prevention Svcs	23,749
Claypool/Lower Miami SLID	22,214
RXP - Presc Drug OD Prev 93.136	20,348
AMERICORPS - Probation	20,328
Weatherization Asst 81.042/93.568	19,880
Child Support Incentive - Family	18,110
E-Rate	17,849
DES Community Action Program	16,211
Victim Compensation	15,523
Health Equity IMM	15,036
Suicide Mortality Review (SMR)	13,801
Drug Gang Violent Crime Probation	13,255
EECO	12,000
ACESF-22-003 CFDA16.034	11,378
Adult Intensive Prob Supervision	10,498
Gila County Sheriff K9	10,295
State Aid Enhancement	9,778
Population Health Initiative	7,017
Retention Incentive - State Fund	6,250
GOHS - DUI ENFORCEMENT EQUIPMENT	6,220
Workforce Development	5,158
ELC - Expanded Lab Capacity	3,658
Arizona Lengthy Trial Fund	3,388
Juvenile Standards Probation	3,171
CASA - Globe	3,037
Court Appointed Spec Advocate	2,993
HTF LCEH Capacity Build 14.275	2,222
Youth Council	1,561
IV D Incentive/SSRE 93.563	1,561
CJEF Substance Abuse	1,154

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

Note 3 - Deposits and investments

Arizona Revised Statutes (A.R.S.) authorize the County to invest public monies in the State Treasurer's investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds, 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 2 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 2 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 these 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, 2023, the carrying amount of the County's deposits was $35,797,225 and the bank balance was $37,873,785. The County does not have a formal policy related to custodial credit risk for deposits.

Investments—The County had total investments of $99,652,213 at June 30, 2023. The County categorizes certain investments measured at fair value within the fair value hierarchy established by generally accepted accounting principles, as follows:

	Amount	Fair value measurement using Quoted prices in active markets for identical assets (Level 1)
Investments by fair value level type		
U.S. Treasury securities	$ 6,971,563	$ 6,971,563
U.S. agency securities	48,193,514	48,193,514
Corporate bonds	44,487,136	44,487,136
Total investments categorized by fair value level	$99,652,213	$99,652,213

Investments categorized as Level 1 are valued using prices quoted in active markets for those investments.

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

At June 30, 2023, credit risk for the County's investments was as follows:

Investment type	Rating	Rating agency	Amount
U.S. agency securities	Aaa	Moody's	$48,193,514
Corporate bonds	Aa1	Moody's	7,000,000
Corporate bonds	Aa2	Moody's	11,682,664
Corporate bonds	Aa3	Moody's	5,000,000
Corporate bonds	A1	Moody's	11,739,269
Corporate bonds	A2	Moody's	5,218,319
Corporate bonds	A3	Moody's	3,846,884
			$92,680,650

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—Concentration of credit risk is the risk of loss associated with the significance of investments in a single issuer. The County does not have a formal investment policy with respect to concentration of credit risk. The County had investments at June 30, 2023, representing five percent or more of the County's total investments as follows:

Investment	Percent
Federal Home Loan Bank	38.63%
Federal Home Loan Mortgage	9.74%
U.S. Treasury securities	7.00%
JP Morgan Chase	6.87%
Canadian Imperial	5.77%
CitiGroup	5.24%
Royal Bank of Canada	5.02%
Credit Agricole	5.02%

Interest rate risk**—**The County does not have a formal investment policy with respect to interest rate risk. At June 30, 2023, the County had the following investments in debt securities:

Investment type	Amount	Weighted average maturity (years)
U.S. agency securities	$48,193,514	1.18
U.S. Treasury securities	6,971,563	0.08
Corporate bonds	44,487,136	1.03
Total	$99,652,213	

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	35,797,225
Amount of investments	99,652,213
Total	$135,455,438

Statement of net position

	Governmental activities	Business-type activities	Private-purpose trust funds	Custodial funds: External investment pools	Custodial funds: Other	Total
Cash, and investments	$46,605,721	$ 4,598,453	$205,057	$75,575,170	$2,319,384	$129,303,785
Cash and investments held by trustee—restricted		6,151,653				6,151,653
Total	$46,605,721	$10,750,106	$205,057	$75,575,170	$2,319,384	$135,455,438

Note 4 – 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 $1,883,487 in deposits and $6,151,653 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 3 for disclosure of the County's deposit and investment risks.

Details of each major investment classification follow:

Investment type	Principal	Interest rates	Maturities	Amount
U.S. agency securities	$ 50,950,000	0.32%-3.25%	11/23-2/25	$48,193,514
U.S. Treasury securities	7,000,000	0.130%	07/23	6,971,563
Corporate bonds	45,420,000	0.32%-5.00%	07/23-08/25	44,487,136
Total	$103,370,000			$99,652,213

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

Statement of fiduciary net position	
Assets	$127,821,004
Net position	$127,821,004
Net position held for:	
Internal participants	$ 50,689,309
External participants	77,131,695
Total net position	$127,821,004
Statement of changes in fiduciary net position	
Total additions	$239,390,107
Total deductions	227,297,826
Net increase	12,092,281
Net position:	
July 1, 2022	115,728,723
June 30, 2023	$127,821,004

Note 5 – Due from other governments

Amounts due from other governments at June 30, 2023, are shown as follows:

	General Fund	Public Works Fund	Other Governmental Funds	Total
State-shared sales tax	$1,053,609			$1,053,609
County excise tax	866,611	$403,128		1,269,739
State-shared vehicle license tax	95,889	56,692		152,581
Highway user revenue		521,040		521,040
Grants and contributions from local, state, and federal governments	323,723		$1,603,369	1,927,092
Reimbursements for goods or services provided for governmental units	19,603		25,864	45,467
Total	$2,359,435	$980,860	$1,629,233	$4,969,528

Note 6 - Capital assets

Capital asset activity for the year ended June 30, 2023, was as follows:

	Beginning balance (restated)*	Increases	Decreases	Ending balance
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	$ 2,383,625	$ 18,760		$ 2,402,385
Construction in progress	7,202,535	2,092,130	$ 34,923	9,259,742
Intangibles:				
SBITA development in progress		50,418		50,418
Total capital assets not being depreciated/amortized	9,586,160	2,161,308	34,923	11,712,545
Capital assets being depreciated/amortized:				
Buildings	35,453,924	1,400,356		36,854,280
Improvements other than buildings	1,471,809			1,471,809
Machinery and equipment	31,363,752	958,716	494,880	31,827,588
Infrastructure	23,536,708	21,546		23,558,254
Intangibles:				
Right-to-use subscription assets	82,560			82,560
Total capital assets being depreciated/amortized	91,908,753	2,380,618	494,880	93,794,491
Less accumulated depreciation/amortization for:				
Buildings	16,664,337	1,287,541		17,951,878
Improvements other than buildings	867,467	70,665		938,132
Machinery and equipment	26,287,497	1,294,395	488,973	27,092,919
Infrastructure	14,021,470	741,513		14,762,983
Intangibles:				
Right-to-use subscription assets		41,280		41,280
Total accumulated depreciation/amortized	57,840,771	3,435,394	488,973	60,787,192
Total capital assets being depreciated/amortized, net	34,067,982	(1,054,776)	5,907	33,007,299
Governmental activities, capital assets, net	$43,654,142	$ 1,106,532	$ 40,830	$44,719,844

* Due to the implementation of GASB Statement No. 96 for SBITAs, the County's beginning capital asset balance was restated from fiscal year 2022. There was no impact on net position.

	Beginning balance	Increases	Decreases	Ending balance
Business-type activities:				
Capital assets not being depreciated:				
Land	$3,000,000			$3,000,000
Construction in progress	975	$2,923,976		2,924,951
Total capital assets not being depreciated	3,000,975	2,923,976		5,924,951
Capital assets being depreciated:				
Buildings	5,172			5,172
Improvements other than buildings	698,399	5,372		703,771
Machinery and equipment	3,912,667	77,709		3,990,376
Infrastructure	383,209			383,209
Total capital assets being depreciated	4,999,447	83,081		5,082,528
Less accumulated depreciation for:				
Buildings	1,422	517		1,939
Improvements other than buildings	135,242	35,276		170,518
Machinery and equipment	3,060,209	103,815		3,164,024
Infrastructure	169,554	10,693		180,247
Total accumulated depreciation	3,366,427	150,301		3,516,728
Total capital assets being depreciated, net	1,633,020	(67,220)		1,565,800
Business-type activities, capital assets, net	$4,633,995	$2,856,756		$7,490,751

Depreciation/amortization expense was charged to functions as follows:

Governmental activities:	
General government	$1,326,342
Public safety	383,205
Highways and streets	1,504,013
Health	123,032
Welfare	25,733
Sanitation	11,294
Culture and recreation	60,654
Education	1,121
Total governmental activities depreciation/amortization expense	$3,435,394
Business-type activities:	
Sanitation	$ 150,301

Note 7 – Construction and other commitments

Governmental activities—The County had major contractual commitments related to various capital projects at June 30, 2023, for the construction of Tonto Creek Bridge and the improvements to other bridges and roads. At June 30, 2023, the County had spent $9,259,742 on these projects and had remaining contractual commitments with contractors of $20.0 million. These projects are being financed by transportation excise tax, General Fund and state and federal grants.

The County had contractual commitments related to subscription-based information technology arrangements for which the subscription term had not yet commenced at June 30, 2023, for permit management software. At June 30, 2023, the County had made payments of $50,418 to the vendors and had remaining contractual commitments with vendors of $138,128, including the subscription liabilities that will be recognized at the commencement of the subscription terms.

Note 8 - Long-term liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2023:

	Beginning balance (restated)*	Additions	Reductions	Ending balance	Due within 1 year
Governmental activities					
Pledged revenue obligations payable	$28,571,899		$1,283,794	$27,288,105	$1,403,805
Revenue obligations premium payable	1,534,325		90,255	1,444,070	90,255
Financed purchases	155,392		22,032	133,360	23,145
Subscriptions liability	82,560		42,312	40,248	40,248
Net pension and other postemployment benefits liability	33,625,415	$6,766,796		40,392,211	
Compensated absences payable	1,802,685	2,031,644	1,967,042	1,867,287	1,858,666
Total governmental activities long-term liabilities	$65,772,276	$8,798,440	$3,405,435	$71,165,281	$3,416,119
Business-type activities					
Financed purchases	$ 143,619		$ 85,176	$ 58,443	$ 58,443
Net pension and other postemployment benefits liability	578,146	$ 233,086		811,232	
Compensated absences payable	38,478	37,666	38,317	37,827	23,288
Landfill closure and postclosure care costs payable	4,409,499		292,364	4,117,135	
Total business-type activities long-term liabilities	$ 5,169,742	$ 270,752	$ 415,857	$ 5,024,637	$ 81,731

* Due to the implementation of GASB Statement No. 96 for SBITAs, the County's beginning liability balance was restated from fiscal year 2022. There was no impact on net position.

Series 2020 pledged revenue obligations—In November 2020, the County issued Series 2020 pledged revenue obligations with interest rates between 0.505 percent and 3.222 percent to fund the unfunded portion of the County's PSPRS pension obligations. The obligations are generally noncallable, with interest payable semiannually.

A summary of the pension obligation funding by plan:

PSPRS Sheriff	$12,965,640
CORP Detention	2,562,340
CORP Dispatcher	955,704

Series 2019 pledged revenue and pledged revenue refunding obligations—In October 2019, the County issued Series 2019 pledged revenue and pledged refunding obligations with interest rates between 2.000 percent and 5.000 percent to finance various capital projects and advance-refund the Series 2009 pledged revenue and pledged revenue refunding obligations outstanding balance of $4,815,000. Capital projects include building a new animal care and control facility and a multipurpose building; purchasing a building to house the Probation Department and teen center; remodeling the Sheriff's Office, administration offices, and Health Department; and improving the Jail building. The obligations are callable on July 1, 2029, with interest payable semiannually.

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 0.530 percent and 2.700 percent to purchase and remodel the Copper Administrative building, a used modular office building. The obligations are generally noncallable, with interest payable semiannually.

The following pledged revenue and pledged revenue refunding obligations were outstanding at June 30, 2023:

Description	Original amount issued	Interest rates	Maturities	Outstanding June 30, 2023
Gila County Pledged Revenue Obligations, Series 2015	$ 2,000,000	1.90-2.70%	2024-2025	$ 433,105
Gila County Pledged Revenue and Pledged Revenue Refunding Obligations, Series 2019	13,220,000	2.00-5.00%	2024-2039	11,735,000
Gila County Pledged Revenue Obligations, Series 2020	16,855,000	0.505-2.305%	2024-2039	15,120,000
Total				$27,288,105

The following schedule details debt service requirements to maturity for the County's pledged revenue and pledged revenue refunding obligations payable at June 30, 2023:

	Governmental activities	
	Principal	Interest
Year ending June 30		
2024	$ 1,403,805	$ 855,608
2025	1,429,300	834,076
2026	1,460,000	803,334
2027	1,500,000	765,471
2028	1,535,000	724,615
2029-2033	8,470,000	2,831,853
2034-2038	9,920,000	1,379,718
2039-2040	1,570,000	58,365
Total	$27,288,105	$8,253,040

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, 2023. At June 30, 2023, future pledged revenues through final maturity at July 1, 2039, totaled $35,541,145, consisting of $27,288,105 for principal and $8,253,040 for interest. Future principal and interest payments are expected to require less than 12% of pledged revenues. In the current year, total principal and interest paid, and total pledged resources were $2,160,522 and $13,219,638, respectively.

Financed purchases—The County has acquired machinery and equipment under contract agreements at a total purchase price of $615,246. The following schedule details debt service requirements to maturity for the County's financed purchases at June 30, 2023:

	Governmental Activities		Business-type Activities	
Year ending June 30:	Principal	Interest	Principal	Interest
2024	$ 23,145	$ 6,735	$58,443	$2,106
2025	24,313	5,566		
2026	85,902	4,338		
Total	$133,360	$16,639	$58,443	$2,106

Subscription-based information technology arrangements (SBITAs)—The County has obtained the right to use geographic information system (GIS) and permit management software under the provisions of various subscription-based information technology arrangements.

The total amount of subscription assets and the related accumulated amortization are as follows:

Total intangible right-to-use subscription assets	$ 82,560
SBITA development in process	50,418
Less: accumulated amortization	(41,280)
Carrying value	$ 91,698

The following schedule details minimum subscription payments to maturity for the County's subscriptions liability at June 30, 2023:

	Principal	Interest
2024	$40,248	$2,063
Total	$40,248	$2,063

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 enterprise fund.

The amount recognized each year is based on landfill capacity used at the end of each fiscal year. The $4,117,135 reported as landfill closure and postclosure care liability at June 30, 2023, represents the cumulative amount reported to date based on the approximate use of 78 percent of the estimated capacity of the Buckhead Mesa Landfill and 52 percent of the Russell Gulch Landfill. The County will recognize the remaining estimated cost of closure and postclosure care of $2,024,015 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 2023.

The County has closed four of its landfills as of June 30, 1996. The County has planned expansions of the remaining landfills to extend their useful lives. The actual costs may also be higher due to inflation, changes in technology, or changes in regulations.

According to state and federal laws and regulations, the County must comply with the local government financial test requirements that assure the County can meet the costs of landfill closure, postclosure, and corrective action when needed. In order to comply with the local government financial test requirements, the County established a restricted bank account with a cash balance that will cover the estimated landfill closure and postclosure care costs when Russell Gulch and Buckhead Mesa landfills are expected to close. The current balance is reported in the business-type activities statement of net position and the proprietary fund statement of net position as restricted cash. Although the restricted bank account is not one of the allowable mechanisms listed in 40 CFR 258.74, the Arizona Department Environmental Quality (ADEQ) approved the calendar year 2021 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 (USDA) Forest Service for the purpose of using and maintaining a sanitary landfill, which expired on December 31, 2019 and had annual fees of $18,998. Gila County applied for a new special use permit with the USDA in September 2019 in accordance with agency regulation and is awaiting determination of its acceptance. During this time the Administrative Procedure Act (APA) at 5 U.S.C. § 558(c) provides that when the holder of a license for an ongoing activity has submitted a timely application for a new license in accordance with agency regulations, the license does not expire until the application has been accepted or denied. The USDA Forest Service consented to the continuation of use under the expired authorization which is analogous to a "Tenancy at Will".

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, 2023, the County paid for compensated absences as follows: 72 percent from the General fund, 2 percent from the American rescue plan act fund, 9 percent from the Public works fund, 2 percent from the Landfill fund, and 15 percent from other funds.

Note 9 - Fund balance classifications of the governmental funds

The fund balance classifications of the governmental funds as of June 30, 2023, were as follows:

	General Fund	Opioid settlement fund	Public Works Fund	Other Governmental Funds	Total
Fund balances:					
Nonspendable:					
Inventories	$ 151,587				$ 151,587
Total nonspendable	151,587				$ 151,587
Restricted for:					
Public safety				$ 2,341,232	2,341,232
Highways and streets			$15,954,927		15,954,927
Health services		$324,507		429,450	753,957
Judicial activities				3,808,020	3,808,020
Law enforcement				3,332,296	3,332,296
Education				2,044,647	2,044,647
Sanitation				287,383	287,383
Social services				393,570	393,570
Library				1,137,975	1,137,975
Street lighting improvement				22,652	22,652
Capital projects				465,949	465,949
Other purposes				90,537	90,537
Total restricted		324,507	15,954,927	14,353,711	30,633,145

	General Fund	Opioid settlement fund	Public Works Fund	Other Governmental Funds	Total
Assigned to:					
Contingency reserve	$15,000,000				$15,000,000
Education	3,599				3,599
Other purposes	1,310,508				1,310,508
Total assigned	16,314,107				16,314,107
Unassigned	(2,931,962)		$ (115,997)	$ (2,883,244)	(5,931,203)
Total fund balances	$13,533,732	$324,507	$15,838,930	$11,470,467	$ 41,167,636

Note 10 – Prior period adjustment

The County reclassified the activity of various funds to the General Fund. The resulting beginning fund balance have been restated from the prior year to reflect the change.

		Governmental Funds	
	Governmental Activities	General Fund	Other Governmental Funds
Net position/fund balance as previously reported at June 30, 2022	$12,558,061	$11,996,077	$5,752,216
Fund reclassification		(424,921)	424,921
Opioid settlement revenues	2,875,897		
Net position/fund balance as restated, July 1, 2022	$15,433,958	$11,571,156	$6,177,137

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 3 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 13 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; cyber security 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 $50,000 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 13 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 9 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 - 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, 2023, the County reported the following aggregate amounts related to pension and OPEB for all plans to which it contributes:

Statement of net position and statement of activities	Governmental activities	Business-type activities	Total
Net pension OPEB asset	$ 3,099,505	$ 27,028	$ 3,126,533
Net pension and OPEB liabilities	40,392,211	811,232	41,203,443
Deferred outflows of resources related to pensions and OPEB	8,198,538	124,635	8,353,173
Deferred inflows of resources related to pensions and OPEB	3,077,037	49,867	3,126,904
Pension and OPEB expenses	4,075,931	160,084	4,236,015

The County's accrued payroll and employee benefits includes $184,623 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2023. Also, the County reported $4,025,266 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 and 2.1. 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, health insurance premium supplement, long-term disability, 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 earnings. 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, 2023, statute required active ASRS members to contribute at the actuarially determined rate of 12.03 percent for retirement of the members' annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 11.92 percent for retirement of the active members' annual covered payroll. In addition, the County was required by statute to contribute at the actuarially determined rate of 9.62 percent for retirement of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the ASRS would typically fill. The County's contributions to the pension plan for the year ended June 30, 2023, were $2,570,520.

During fiscal year 2023, the County paid for ASRS pension contributions as follows: 68 percent from the General Fund, 1 percent from the American Rescue Plan Act Fund, 12 percent from the Public Works Fund, 16 percent from other governmental funds, and 3 percent from the Landfill Fund.

Pension liability—At June 30, 2023, the County reported a net pension liability of $27,298,914 for its proportionate share of the ASRS' net pension liability. The net asset and net liabilities were measured as of June 30, 2022. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2021, to the measurement date of June 30, 2022.

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, 2022. The County's proportion measured as of June 30, 2022, was 0.167250 percent, which was a decrease of 0.002085 from its proportion measured as of June 30, 2021.

Pension expense and deferred outflows/inflows of resources—For the year ended June 30, 2023 the County recognized pension expense for ASRS of $2,605,715. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Pension	
ASRS	**Deferred outflows of resources**	**Deferred inflows of resources**
Differences between expected and actual experience	$ 232,602	
Changes of assumptions or other inputs	1,354,898	
Net difference between projected and actual earnings on pension plan investments		$ 719,080
Changes in proportion and differences between county contributions and proportionate share of contributions	24,044	383,284
County contributions subsequent to the measurement date	2,570,520	
Total	$4,182,064	$1,102,364

The $2,570,520 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, 2024. 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	
2024	$ 1,016,999
2025	(410,248)
2026	(1,248,492)
2027	1,150,921

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

ASRS	
Actuarial valuation date	June 30, 2021
Actuarial roll forward date	June 30, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Inflation	2.3%
Projected salary increases	2.9–8.4%
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2020.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.0 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. 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%	3.90%
Fixed income-credit	20%	5.30%
Fixed income-interest rate sensitive	10%	(0.20%)
Real estate	20%	6.00%
Total	100%	

Discount rate—At June 30, 2022, the discount rate used to measure the ASRS total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the ASRS net pension liability to changes in the discount rate—The following table presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.0 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 (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Current discount rate (7.0%)	1% Increase (8.0%)
Net (asset)/ liability	$40,278,737	$27,298,914	$16,475,770

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 plans), which were 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	AOC probation and surveillance officers: On or after 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	10 years, age 52.5* 10 or more years, age 55
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%	2.5% per year of credited service, not to exceed 80%	1.25% to 2.25% per year of credited service, not to exceed 80%
Accidental disability retirement	50% or normal retirement if more than 20 years of credited service	50% or normal retirement if more than 25 years of credited service	
Total and permanent disability retirement	50% or normal retirement if more than 25 years of credited service		
Ordinary disability retirement	2.5% per year of credited service		

Survivor benefit	
Retired members	80% of retired member's pension benefit
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.

*With actuarially reduced benefits.

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, 2023, 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	31	18	3
Inactive employees entitled to but not yet receiving benefits	14	35	4
Active employees	22	23	2
Total	67	76	9

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, 2023, are indicated below. Rates are a percentage of active members' annual covered payroll.

	Active member—pension	County—pension
PSPRS Sheriff	7.65 – 11.65%	8.65%
CORP Detention	8.41	6.16
CORP Dispatchers	7.96	2.53
CORP AOC	8.41	36.70

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	(2.03)%
CORP Detention	0.00
CORP Dispatchers	0.00
CORP AOC	32.79

The County's contributions to the pension plans for the year ended June 30, 2023, were:

PSPRS Sheriff	CORP Detention	CORP Dispatchers	CORP AOC
$238,812	$81,088	$3,101	$419,496

During fiscal year 2023, the County paid for PSPRS and CORP pension contributions as follows: 95 percent from the General Fund and 5 percent from other governmental funds.

Pension (asset)/liability—At June 30, 2023, the County reported the following net pension (assets)/liabilities:

	Net pension (asset)/liability
PSPRS Sheriff	$ (150,123)
CORP Detention	(818,074)
CORP Dispatchers	(241,163)
CORP AOC (County's proportionate share)	4,634,495

The net assets and net liabilities were measured as of June 30, 2022, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2022, reflect changes of actuarial assumptions, including decreasing the investment rate of return from 7.3 percent to 7.2 percent, changing the wage inflation from 3.5 percent to a range of 3.0 – 6.25 percent, and increasing the cost-of-living adjustment from 1.75 percent to 1.85 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, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.2%
Wage inflation	3.0-6.25%
Price inflation	2.5%
Cost-of-living adjustment	1.85%
Mortality rates	PubS-2010 tables

Actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2021.

The long-term expected rate of return on PSPRS and CORP pension plan investments was determined to be 7.2 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
U.S. public equity	24%	3.49%
International public equity	16%	4.47%
Global private equity	20%	7.18%
Other assets (capital appreciation)	7%	4.83%
Core bonds	2%	0.45%
Private credit	20%	5.10%
Diversifying strategies	10%	2.68%
Cash – Mellon	1%	(0.35%)
Total	100%	

Pension discount rate—At June 30, 2022, the discount rate used to measure the PSPRS and CORP total pension (asset)/liabilities was 7.2 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2021. 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, 2022	$22,256,118	$25,584,766	$(3,328,648)
Changes for the year:			
Service cost	341,991		341,991
Interest on the total pension liability	1,609,388		1,609,388
Differences between expected and actual experience in the measurement of the pension liability	341,280		341,280
Changes of assumptions or other inputs	212,158		212,158
Contributions—employer		176,007	(176,007)
Contributions—employee		170,713	(170,713)
Net investment income		(1,002,336)	1,002,336
Benefit payments, including refunds of employee contributions	(1,103,385)	(1,103,385)	
Administrative expense		(18,092)	18,092
Net changes	1,401,432	(1,777,093)	3,178,525
Balances at June 30, 2023	$23,657,550	$23,807,673	$ (150,123)

CORP Detention	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a) – (b)
Balances at June 30, 2022	$8,922,729	$9,941,187	$(1,018,458)
Changes for the year:			
Service cost	234,645		234,645
Interest on the total pension liability	646,422		646,422
Differences between expected and actual experience in the measurement of the pension liability	(996,552)		(996,552)
Changes of assumptions or other inputs	137,727		137,727
Contributions—employer		75,699	(75,699)
Contributions—employee		118,135	(118,135)
Net investment income		(365,265)	365,265
Benefit payments, including refunds of employee contributions	(604,567)	(604,567)	
Administrative expense		(6,711)	6,711
Net changes	(582,325)	(782,709)	200,384
Balances at June 30, 2023	$8,340,404	$9,158,478	$ (818,074)

CORP Dispatchers	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a) – (b)
Balances at June 30, 2021	$2,179,972	$2,718,655	$(538,683)
Changes for the year:			
Service cost	5,665		5,665
Interest on the total pension liability	153,829		153,829
Differences between expected and actual experience in the measurement of the pension liability	6,011		6,011
Changes of assumptions or other inputs	42,328		42,328
Contributions—employer		3,401	(3,401)
Contributions—employee		8,704	(8,704)
Net investment income		(99,952)	99,952
Benefit payments, including refunds of employee contributions	(156,792)	(156,792)	
Administrative expense		(1,840)	1,840
Net changes	51,041	(246,479)	297,520
Balances at June 30, 2023	$2,231,013	$2,472,176	$(241,163)

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, 2022. The County's proportion measured as of June 30, 2022, was 1.038515 percent, which was an increase of 0.085015 from its proportion measured as of June 30, 2021.

Sensitivity of the County's net pension (asset)/liability to changes in the discount rate—The following table presents the County's net pension (assets)/liabilities calculated using the discount rate of 7.2 percent, as well as what the County's net pension (asset)/liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.2 percent) or 1 percentage point higher (8.2 percent) than the current rate:

	1% Decrease (6.2%)	Current discount rate (7.2%)	1% Increase (8.2%)
PSPRS Sheriff			
Net pension (asset)/liability	$2,798,345	$ (150,123)	$(2,581,067)
CORP Detention			
Net pension (asset)/liability	305,765	(818,074)	(1,735,882)
CORP Dispatchers			
Net pension (asset)/liability	(25,272)	(241,163)	(423,961)
CORP AOC			
County's proportionate share of the net pension liability	6,086,515	4,634,495	3,446,611

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, 2023, the County recognized the following pension expense:

	Pension expense
PSPRS Sheriff	$224,360
CORP Detention	(36,928)
CORP Dispatchers	6,739
CORP AOC (County's proportionate share)	576,336

Pension deferred outflows/inflows of resources—At June 30, 2023, 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	$ 469,210	$506,598
Changes of assumptions or other inputs	141,438	
Net difference between projected and actual earnings on pension plan investments	415,573	
County contributions subsequent to the measurement date	238,812	
Total	$1,265,033	$506,598

CORP Detention	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$131,922	$664,368
Changes of assumptions or other inputs	91,818	
Net difference between projected and actual earnings on pension plan investments	121,976	
County contributions subsequent to the measurement date	81,088	
Total	$426,804	$664,368

CORP Dispatchers	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings on pension plan investments	$32,680	
County contributions subsequent to the measurement date	3,101	
Total	$35,781	$

CORP AOC	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 246,282	$68,462
Changes of assumptions or other inputs	150,851	
Net difference between projected and actual earnings on pension plan investments	78,430	
Changes in proportion and differences between county contributions and proportionate share of contributions	379,762	
County contributions subsequent to the measurement date	419,496	
Total	$1,274,821	$68,462

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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30	PSPRS Sheriff	CORP Detention	CORP Dispatchers	CORP AOC
2023	$ 175,699	$(180,586)	$ (1,673)	$328,417
2024	(98,117)	(284,840)	(6,827)	169,509
2025	(126,308)	(68,373)	(17,433)	43,682
2026	568,349	215,147	58,613	245,255

PSPDCRP plan—County sheriff employees, County detention officers, County dispatchers 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, 2023, 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, 2023, the County recognized pension expense of $71,696.

C. Elected Officials Retirement Plan

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

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

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

Survivor benefit		
Retired members	75% of retired member's benefit	50% of retired member's benefit
Active members and other Inactive members	75% of disability retirement benefit	50% of disability retirement benefit

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

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on 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, 2023, 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 70.42 percent of all active EORP members' annual covered payroll. Also, statute required the County to contribute 58.39 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 64.42 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. In addition, statute required the County to contribute 48.58 percent of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the EORP would typically fill. The County's contributions to the pension plan for the year ended June 30, 2023, were $727,300.

During fiscal year 2023, the County paid for EORP pension contributions as follows: 100 percent from the General Fund.

Pension liability—At June 30, 2023, 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	$ 9,250,969
State's proportionate share of the EORP net pension liability associated with the County	900,743
Total	$10,151,712

The net asset and net liability were measured as of June 30, 2022, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2022, reflect changes of actuarial assumptions, including decreasing the investment rate of return from 7.3 percent to 7.2 percent, decreasing the wage inflation from 3.75 percent to 3.25 percent, and increasing the cost-of-living adjustment from 1.75 percent to 1.85 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, 2022. The County's proportion measured as of June 30, 2022, was 1.3702440 percent, which was a decrease of 0.0145950 from its proportion measured as of June 30, 2021.

Pension expense and deferred outflows/inflows of resources—For the year ended June 30, 2023, the County recognized pension expense for EORP of $1,169,611 and revenue of $263,334 for the County's proportionate share of the State's appropriation to EORP and the designated court fees. At June 30, 2023, 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	$ 83,540	
Changes in proportion and differences between county contributions and proportionate share of contributions		$47,261
County contributions subsequent to the measurement date	727,300	
Total	$810,840	$47,261

The $727,300 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, 2024. 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	
2023	$(30,439)
2024	802
2025	(39,375)
2026	105,291

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

EORP	
Actuarial valuation date	June 30, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.2%
Wage inflation	3.25%
Price inflation	2.5%
Cost-of-living adjustment	1.85%
Mortality rates	PubG-2010 tables

Actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2021.

The long-term expected rate of return on EORP pension plan investments was determined to be 7.2 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
U.S. public equity	24%	3.49%
International public equity	16%	4.47%
Global private equity	20%	7.18%
Other assets (capital appreciation)	7%	4.83%
Core bonds	2%	0.45%
Private credit	20%	5.10%
Diversifying strategies	10%	2.68%
Cash – Mellon	1%	(0.35%)
Total	100%	

Discount rate—At June 30, 2022, the discount rate used to measure the EORP total pension liability was 7.2 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2021. 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 7.2 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 (6.2 percent) or 1 percentage point higher (8.2 percent) than the current rate:

EORP	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
County's proportionate share of the net pension liability	$10,561,281	$9,250,969	$8,128,596

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, 2023, 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, 2023, the County recognized pension expense of $23,888.

Note 13 - Interfund balances and activity

Interfund receivables and payables—Interfund balances at June 30, 2023, were as follows:

	Payable to			
	General Fund	American Rescue Plan Act Fund	Other Governmental Funds	Total
Payable from				
General Fund			$191	$ 191
American Rescue Plan Act Fund	$ 27,007			27,007
Public Works Fund	51,062			51,062
Landfill Fund	44,959	$3,800		48,759
Other Governmental Funds	45,260			45,260
Total	$168,288	$3,800	$191	$172,279

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, 2023, were as follows:

	Transfers to		
	General Fund	Public Works Fund	Total
Transfers from			
General Fund		$488,028	$488,028
Oher Governmental Funds	$37,001		37,001

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 14 – Subsequent Event

The County is a participant in the One Arizona Distribution of Opioid Settlement Funds Agreement, which is part of the nationwide Opioid Settlement. The nationwide settlements were reached to resolve opioid litigation brought by state and local political subdivisions against pharmaceutical distributors and manufacturers. The pharmaceutical industry will pay more than $1.1 billion to Arizona over the next 18 years for opioid treatment, prevention, and education. As of June 30, 2023, agreements have been finalized with three defendants resulting in the County recording a receivable of $2.6 million. Due to the on-going litigation and finalizing agreements with other defendants, additional settlements are expected to be measurable and available in subsequent reporting periods.

Other Required Supplementary Information

Gila County
Required supplementary information
Budgetary comparison schedule
General Fund
Year ended June 30, 2023

	Original and final budgeted amounts	Actual amounts	Variance with final budget
Revenues:			
Taxes	$ 28,773,459	$ 30,047,753	$ 1,274,294
Licenses and permits	713,000	818,579	105,579
Intergovernmental	19,534,458	23,911,552	4,377,094
Charges for services	1,316,770	1,141,087	(175,683)
Fines and forfeitures	103,000	383,204	280,204
Donations and contributions		6,004	6,004
Investment earnings	156,999	(56,805)	(213,804)
Miscellaneous	3,384,878	610,306	(2,774,572)
Total revenues	53,982,564	56,861,680	2,879,116
Expenditures:			
Current:			
Administrative services	277,267	263,175	14,092
Assessor	1,318,006	1,156,679	161,327
Board of supervisors	1,616,811	1,464,758	152,053
Community development	1,228,477	831,512	396,965
Computer services	1,556,758	1,596,449	(39,691)
Economic development	191,045	29,675	161,370
Elections	495,224	426,849	68,375
Facilities management	3,476,500	384,621	3,091,879
GF Finance Department	1,793,726	1,623,321	170,405
General administration	16,311,265	7,530,253	8,781,012
Human resources	734,917	719,761	15,156
Recorder	815,886	550,369	265,517
Transit	118,519		118,519
Treasurer	613,412	587,946	25,466
Contingency reserve	500,000		500,000
Taxpayer stabilization	10,000,000		10,000,000

(Continued)

See accompanying notes to budgetary comparison schedule.

Gila County
Required supplementary information
Budgetary comparison schedule
General Fund
Year ended June 30, 2023
(Continued)

	Original and final budgeted amounts	Actual amounts	Variance with final budget
Judicial services			
County attorney	$ 2,982,924	$ 2,898,973	$ 83,951
Constable - Globe	220,424	201,904	18,520
Constable - Payson	243,975	232,678	11,297
Justice Court - Globe	812,654	848,680	(36,026)
Justice Court - Payson	718,584	705,022	13,562
Indigent legal defense	1,288,106	1,333,690	(45,584)
Clerk of the superior court	1,651,261	1,412,593	238,668
Superior Court - Division I	185,040	180,351	4,689
Superior Court - Division II	181,528	179,508	2,020
Superior Court - General	1,086,750	993,262	93,488
Public Defender's	165,123		165,123
Total general government	50,584,182	26,152,029	24,432,153
Public safety			
County sheriff	15,046,980	14,471,142	575,838
Emergency services	358,000	353,150	4,850
Flood plain management	258,913	240,042	18,871
Juvenile probation	851,139	687,058	164,081
Probation	1,151,176	1,049,080	102,096
Total public safety	17,666,208	16,800,472	865,736
Health	1,843,238	1,915,456	(72,218)
Welfare			
State mandated expenditures	4,483,844	4,380,307	103,537
Community agencies	323,000	473,524	(150,524)
Public fiduciary	568,144	585,612	(17,468)
Total welfare	5,374,988	5,439,443	(64,455)
Culture and recreation			
Parks, recreation, fairgrounds	264,752	37,564	227,188
Total culture and recreation	264,752	37,564	227,188

(Continued)

See accompanying notes to budgetary comparison schedule.

Gila County
Required supplementary information
Budgetary comparison schedule
General Fund
Year ended June 30, 2023
(Concluded)

	Original and final budgeted amounts	Actual amounts	Variance with final budget
Education			
School superintendent	$ 490,765	$ 1,451,541	$ (960,776)
Total education	490,765	1,451,541	(960,776)
Capital Outlay	2,389,767	754,610	1,635,157
Debt service	2,027,300	2,163,322	(136,022)
Total expenditures	80,641,200	54,714,437	25,926,763
Excess (deficiency) of revenues over expenditures	(26,658,636)	2,147,243	28,805,879
Other financing sources (uses)			
Transfers in		37,001	37,001
Transfers out	(14,725,928)	(488,028)	14,237,900
Indirect costs		266,071	266,071
Total other financing sources (uses)	(14,725,928)	(184,956)	14,540,972
Changes in fund balances	(41,384,564)	1,962,287	43,346,851
Fund balances, beginning of year, as restated	(41,384,564)	11,571,156	(29,813,408)
Increase (decrease) in reserve for inventory		289	289
Fund balances, end of year	$ -	$ 13,533,732	$ 13,533,732

See accompanying notes to budgetary comparison schedule.

Gila County
Required supplementary information
Budgetary comparison schedule
American Rescue Plan Act Fund
Year ended June 30, 2023

	Original and final budgeted amounts	Actual amounts	Variance with final budget
Revenues:			
Intergovernmental	$ 5,246,000	$ 4,325,916	$ (920,084)
Investment earnings		269,121	269,121
Total revenues	5,246,000	4,595,037	(650,963)
Expenditures:			
General government	1,948,126	1,606,449	341,677
Culture and recreation	3,297,874	2,719,467	578,407
Total expenditures	5,246,000	4,325,916	920,084
Changes in fund balances		269,121	269,121
Fund balances, beginning of year		(269,121)	(269,121)
Fund balances, end of year	$ -	$ -	$ -

See accompanying notes to budgetary comparison schedule.

Gila County
Required supplementary information
Budgetary comparison schedule
Opioid Settlement Fund
Year ended June 30, 2023

	Original and final budgeted amounts	Actual amounts	Variance with final budget
Revenues:			
Fines and forfeits		$ 322,783	$ 322,783
Investment earnings		1,724	1,724
Total revenues		324,507	324,507
Changes in fund balances		324,507	324,507
Fund balances, beginning of year			
Fund balances, end of year	$ -	$ 324,507	$ 324,507

See accompanying notes to budgetary comparison schedule.

Gila County
Required supplementary information
Budgetary comparison schedule
Public Works Fund
Year ended June 30, 2023

	Original and final budgeted amounts	Actual amounts	Variance with final budget
Revenues:			
Taxes	$ 1,920,535	$ 2,274,871	$ 354,336
Licenses and permits	2,000	10,666	8,666
Intergovernmental	6,362,200	6,402,598	40,398
Charges for services		15,356	15,356
Fines and forfeits		3,339	3,339
Investment earnings	147,774	147,940	166
Miscellaneous	54,939	67,571	12,632
Total revenues	8,487,448	8,922,341	434,893
Expenditures:			
Highways and streets	11,025,405	6,925,247	4,100,158
Principal retirement	22,032	22,032	
Interest and other charges	7,847	7,847	
Total expenditures	11,055,284	6,955,126	4,100,158
Excess (deficiency) of revenues over expenditures	(2,567,836)	1,967,215	(3,665,265)
Other financing sources (uses):			
Transfers in		488,028	488,028
Total other financing sources and uses		488,028	488,028
Changes in fund balances	(2,567,836)	2,455,243	(3,177,237)
Fund balances, beginning of year	2,567,836	13,383,687	10,815,851
Fund balances, end of year	$ -	$ 15,838,930	$ 7,638,614

See accompanying notes to budgetary comparison schedule.

Gila County
Required supplementary information
Notes to budgetary comparison schedules
June 30, 2023

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. With the exception of the General Fund, each fund includes only one department.

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

Note 2 – Budgetary basis of accounting

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

	General fund
Excess of revenues over expenditures from the statement of revenues, expenditures, and changes in fund balance	$2,147,243
Indirect cost expenditures allocated to other county funds	(266,071)
Deficiency of revenues over expenditures from the budgetary comparison schedule	$1,881,172

Note 3 - Expenditures in excess of appropriations

For the year ended June 30, 2023, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

Fund/Department	Excess
General fund:	
Computer services	$ 39,691
Justice Court - Globe	36,026
Indigent legal defense	45,584
Health	72,218
Community agencies	150,524
Public fiduciary	17,468
School Superintendent	960,776
Debt Service	136,022

The excesses were primarily the result of unexpected expenditures or expenditures made as a result 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 2023, the County School Superintendent's Office received national forest monies of $977,975 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, 2023

Arizona State Retirement System

	Reporting fiscal year (Measurement date)									
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)
County's proportion of the net pension liability	0.17%	0.17%	0.17%	0.18%	0.17%	0.17%	0.17%	0.18%	0.19%	Information not available
County's proportionate share of the net pension liability	$ 27,298,914	$ 22,201,908	$ 29,935,028	$ 25,685,713	$ 23,817,800	$ 25,870,469	$ 28,096,646	$ 28,452,591	$ 28,415,012	
County's covered payroll	$ 20,085,153	$ 19,117,348	$ 19,024,801	$ 18,326,508	$ 17,311,838	$ 16,996,911	$ 16,464,044	$ 16,959,971	$ 17,866,484	
County's proportionate share of the net pension liability as a percentage of its covered payroll	135.92%	116.13%	157.35%	140.16%	137.58%	152.21%	170.65%	167.76%	159.04%	
Plan fiduciary net position as a percentage of the total pension liability	74.26%	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%	

Corrections Officer Retirement Plan—Administrative Office of the Courts

	Reporting fiscal year (Measurement date)									
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)
County's proportion of the net pension liability	1.04%	0.95%	0.93%	0.91%	0.88%	0.97%	1.31%	1.38%	1.55%	Information not available
County's proportionate share of the net pension liability	$ 4,634,495	$ 3,539,580	$ 4,428,706	$ 3,849,317	$ 3,161,337	$ 3,907,213	$ 3,704,368	$ 3,344,124	$ 3,475,563	
County's covered payroll	$ 1,243,990	$ 1,109,482	$ 1,107,501	$ 1,106,855	$ 1,000,857	$ 1,143,874	$ 1,452,609	$ 1,539,683	$ 1,667,965	
County's proportionate share of the net pension liability as a percentage of its covered payroll	372.55%	319.03%	399.88%	347.77%	315.86%	341.58%	255.01%	217.20%	208.37%	
Plan fiduciary net position as a percentage of the total pension liability	57.52%	62.53%	50.07%	51.99%	53.72%	49.21%	54.81%	57.89%	58.59%	

Elected Officials Retirement Plan

	Reporting fiscal year (Measurement date)									
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)
County's proportion of the net pension liability	1.37%	1.38%	1.37%	1.50%	1.14%	1.12%	1.21%	1.26%	1.29%	Information not available
County's proportionate share of the net pension liability	$ 9,250,969	$ 8,427,608	$ 9,248,701	$ 9,957,102	$ 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	900,743	847,112	879,016	935,865	1,234,210	2,828,330	2,363,282	3,074,311	2,645,585	
Total	$ 10,151,712	$ 9,274,720	$ 10,127,717	$ 10,892,967	$ 8,437,341	$ 16,455,815	$ 13,809,191	$ 12,935,508	$ 11,274,108	
County's covered payroll	$ 1,102,100	$ 1,098,779	$ 1,096,965	$ 1,072,272	$ 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	839.39%	767.00%	843.12%	928.60%	727.21%	1419.62%	1170.41%	869.35%	729.57%	
Plan fiduciary net position as a percentage of the total pension liability	32.01%	36.28%	29.80%	30.14%	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, 2023

PSPRS Sheriff

	Reporting fiscal year (Measurement date)									
	2023 (2022)	**2022 (2021)**	**2021 (2020)**	**2020 (2019)**	**2019 (2018)**	**2018 (2017)**	**2017 (2016)**	**2016 (2015)**	**2015 (2014)**	**2014 (2013)**
Total pension liability										
Service cost	$ 341,991	$ 337,956	$ 375,788	$ 435,514	$ 385,131	$ 502,240	$ 403,538	$ 299,129	$ 367,275	
Interest on the total pension liability	1,609,388	1,620,005	1,494,819	1,448,251	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	341,280	(1,013,196)	966,761	(230,529)	(369,481)	(278,317)	(416,800)	(29,030)	94,471	
Changes of assumptions or other inputs	212,158			426,495		878,607	632,607		2,180,190	
Benefit payments, including refunds of employee contributions	(1,103,385)	(1,085,090)	(1,084,226)	(1,143,743)	(1,198,129)	(1,386,848)	(1,282,671)	(1,040,337)	(901,225)	
Net change in total pension liability	1,401,432	(140,325)	1,753,142	935,988	228,847	1,351,988	797,089	520,192	3,236,980	
Total pension liability—beginning	22,256,118	22,396,443	20,643,301	19,707,313	19,478,466	18,126,478	17,329,389	16,809,197	13,572,217	
Total pension liability—ending (a)	$23,657,550	$22,256,118	$22,396,443	$20,643,301	$19,707,313	$19,478,466	$18,126,478	$17,329,389	$16,809,197	
Plan fiduciary net position										
Contributions—employer	$ 176,007	$13,572,313	$ 1,437,325	$ 1,351,693	$ 1,119,625	$ 951,182	$ 867,460	$ 641,694	$ 520,920	
Contributions—employee	170,713	169,496	187,610	194,229	190,551	245,455	243,186	211,706	175,906	
Net investment income	(1,002,336)	4,549,994	103,435	373,963	454,476	723,993	37,079	230,228	792,461	Information not available
Benefit payments, including refunds of employee contributions	(1,103,385)	(1,085,090)	(1,084,226)	(1,143,743)	(1,198,129)	(1,386,848)	(1,282,671)	(1,040,337)	(901,225)	
Hall/Parker Settlement					(271,741)					
Administrative expense	(18,092)	(20,002)	(8,433)	(7,490)	(7,617)	(6,806)	(5,735)	(5,984)	(6,383)	
Other changes		(33,021)		(149)	80	(18,616)	10,578	(47,732)	87,607	
Net change in plan fiduciary net position	(1,777,093)	17,153,690	635,711	768,503	287,245	508,360	(130,103)	(10,425)	669,286	
Plan fiduciary net position—beginning	25,584,766	8,431,076	7,795,365	7,026,862	6,739,617	6,231,257	6,361,360	6,371,785	5,702,499	
Plan fiduciary net position—ending (b)	$23,807,673	$25,584,766	$ 8,431,076	$ 7,795,365	$ 7,026,862	$ 6,739,617	$ 6,231,257	$ 6,361,360	$ 6,371,785	
County's net pension liability—ending (a) – (b)	$ (150,123)	$ (3,328,648)	$13,965,367	$12,847,936	$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	100.63%	114.96%	37.64%	37.76%	35.66%	34.60%	34.38%	36.71%	37.91%	
Covered payroll	$ 2,767,470	$ 2,551,061	$ 2,737,416	$ 2,588,340	$ 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	(5.42)%	(130.48)%	510.17%	496.38%	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, 2023

CORP Detention

	Reporting fiscal year (Measurement date)									
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)
Total pension liability										
Service cost	$ 234,645	$ 238,519	$ 276,628	$ 344,457	$ 362,086	$ 365,615	$ 341,734	$ 322,777	$ 349,379	
Interest on the total pension liability	646,422	609,934	549,394	504,102	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	(996,552)	96,415	334,856	145,954	(138,314)	(273,466)	238,078	(184,916)	(181,113)	
Changes of assumptions or other inputs	137,727			245,157		115,544	218,760		155,825	
Benefit payments, including refunds of employee contributions	(604,567)	(277,773)	(309,115)	(607,071)	(544,308)	(285,348)	(258,317)	(372,466)	(148,202)	
Net change in total pension liability	(582,325)	667,095	851,763	632,599	(138,763)	1,340,868	918,961	119,134	523,099	
Total pension liability—beginning	8,922,729	8,255,634	7,403,871	6,771,272	6,910,035	5,569,167	4,650,206	4,531,072	4,007,973	
Total pension liability—ending (a)	$ 8,340,404	$ 8,922,729	$ 8,255,634	$ 7,403,871	$ 6,771,272	$ 6,910,035	$ 5,569,167	$ 4,650,206	$ 4,531,072	
Plan fiduciary net position										
Contributions—employer	$ 75,699	$ 2,764,035	$ 274,711	$ 288,365	$ 238,843	$ 204,740	$ 191,008	$ 181,989	$ 191,319	
Contributions—employee	118,135	138,026	149,047	167,603	194,274	197,659	187,968	188,093	186,454	
Net investment income	(365,265)	1,908,511	148,934	262,281	335,380	501,516	25,007	144,624	461,443	Information not available
Benefit payments, including refunds of employee contributions	(604,567)	(277,773)	(390,115)	(607,071)	(544,308)	(285,348)	(258,317)	(372,466)	(148,202)	
Administrative expense	(6,711)	(8,584)	(5,764)	(5,381)	(5,774)	(4,787)	(3,936)	(3,947)	(3,628)	
Other changes	-		42,947		(8,510)	384	8,800	(3,075)	(544)	
Net change in plan fiduciary net position	(782,709)	4,524,215	300,760	105,797	209,905	614,164	150,530	135,218	686,842	
Plan fiduciary net position—beginning	9,941,187	5,416,972	5,116,212	5,010,415	4,800,510	4,186,346	4,035,816	3,900,598	3,213,756	
Plan fiduciary net position—ending (b)	$ 9,158,478	$ 9,941,187	$ 5,416,972	$ 5,116,212	$ 5,010,415	$ 4,800,510	$ 4,186,346	$ 4,035,816	$ 3,900,598	
County's net pension liability—ending (a) – (b)	$ (818,074)	$ (1,018,458)	$ 2,838,662	$ 2,287,659	$ 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	109.81%	111.41%	65.62%	69.10%	74.00%	69.47%	75.17%	86.79%	86.09%	
Covered payroll	$ 2,064,021	$ 2,422,090	$ 2,447,650	$ 2,465,134	$ 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	(39.63)%	(42.05)%	115.97%	92.80%	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, 2023

CORP Dispatchers

	Reporting fiscal year (Measurement date)									
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)
Total pension liability										
Service cost	$ 5,665	$ 10,867	$ 17,350	$ 26,582	$ 30,034	$ 32,295	$ 35,574	$ 30,280	$ 39,102	
Interest on the total pension liability	153,829	168,129	159,153	150,655	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	6,011	(247,436)	39,798	96,354	(199,521)	(172,751)	47,078	59,963	(103,659)	
Changes of assumptions or other inputs	42,328			42,529		43,923	56,724		80,874	
Benefit payments, including refunds of employee contributions	(156,792)	(87,717)	(85,997)	(239,183)	(91,254)	(83,034)	(124,520)	(80,128)	(136,774)	
Net change in total pension liability	51,041	(156,157)	130,304	76,937	(220,017)	353,202	161,714	141,054	19,947	
Total pension liability—beginning	2,179,972	2,336,129	2,205,825	2,128,888	2,348,905	1,995,703	1,833,989	1,692,935	1,672,988	
Total pension liability—ending (a)	$ 2,231,013	$ 2,179,972	$ 2,336,129	$ 2,205,825	$ 2,128,888	$ 2,348,905	$ 1,995,703	$ 1,833,989	$ 1,692,935	
Plan fiduciary net position										
Contributions—employer	$ 3,401	$ 989,133	$ 51,724	$ 66,564	$ 47,658	$ 37,583	$ 35,930	$ 30,530	$ 26,396	
Contributions—employee	8,704	8,941	11,249	12,759	14,692	17,241	20,184	20,252	20,281	
Net investment income	(99,952)	508,430	40,003	70,238	93,455	141,868	7,545	45,656	158,620	Information not available
Benefit payments, including refunds of employee contributions	(156,792)	(87,717)	(85,997)	(239,183)	(91,254)	(83,034)	(124,520)	(80,128)	(136,774)	
Administrative expense	(1,840)	(2,283)	(1,548)	(1,954)	(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	(246,479)	1,416,504	15,431	(91,576)	62,411	112,009	(62,337)	13,633	47,281	
Plan fiduciary net position—beginning	2,718,655	1,302,151	1,286,720	1,378,296	1,315,885	1,203,876	1,266,213	1,252,580	1,205,299	
Plan fiduciary net position—ending (b)	$ 2,472,176	$ 2,718,655	$ 1,302,151	$ 1,286,720	$ 1,378,296	$ 1,315,885	$ 1,203,876	$ 1,266,213	$ 1,252,580	
County's net pension liability—ending (a) – (b)	$ (241,163)	$ (538,683)	$ 1,033,978	$ 919,105	$ 750,592	$ 1,033,020	$ 791,827	$ 567,776	$ 440,355	
Plan fiduciary net position as a percentage of the total pension liability	110.81%	124.71%	55.74%	58.33%	64.74%	56.02%	60.32%	69.04%	73.99%	
Covered payroll	$ 109,343	$ 112,325	$ 141,322	$ 160,443	$ 184,578	$ 226,100	$ 254,265	$ 254,000	$ 254,265	
County's net pension liability as a percentage of covered payroll	(220.56)%	(479.58)%	731.65%	572.85%	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, 2023

Arizona State Retirement System

	Reporting fiscal year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	$ 2,570,520	$ 2,389,612	$ 2,212,015	$ 2,159,441	$ 2,081,679	$ 1,850,254	$ 1,746,245	$ 1,768,338	$ 1,832,179	$ 1,852,259
County's contributions in relation to the statutorily required contribution	2,570,520	2,389,612	2,212,015	2,159,441	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	$ 21,822,273	$ 20,085,153	$ 19,117,348	$ 19,024,801	$ 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	11.78%	11.90%	11.57%	11.35%	11.36%	10.69%	10.27%	10.74%	10.80%	10.37%

Corrections Officer Retirement Plan—Administrative Office of the Courts

	Reporting fiscal year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	$ 419,496	$ 434,587	$ 375,822	$ 339,539	$ 358,953	$ 228,649	$ 218,961	$ 276,212	$ 227,801	$ 240,875
County's contributions in relation to the statutorily required contribution	419,496	434,587	375,822	339,539	358,953	228,649	218,961	276,212	227,801	240,875
County's contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
County's covered payroll	$ 1,142,274	$ 1,243,990	$ 1,109,482	$ 1,107,501	$ 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	36.72%	34.93%	33.87%	30.66%	32.43%	22.85%	19.14%	19.01%	14.80%	14.44%

Elected Officials Retirement Plan

	Reporting fiscal year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	$ 727,300	$ 612,416	$ 613,741	$ 621,324	$ 607,608	$ 257,846	$ 208,566	$ 250,016	$ 265,481	$ 274,171
County's contributions in relation to the statutorily required contribution	727,300	612,416	613,741	621,324	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	$ 1,127,350	$ 1,102,100	$ 1,098,779	$ 1,096,965	$ 1,072,272	$ 990,519	$ 959,940	$ 977,941	$ 1,134,316	$ 1,182,686
County's contributions as a percentage of covered payroll	64.51%	55.57%	55.86%	56.64%	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, 2023

PSPRS Sheriff

	Reporting fiscal year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 238,812	$ 236,251	$ 649,522	$ 1,437,461	$ 1,303,462	$ 1,119,625	$ 1,102,871	$ 1,210,141	$ 641,694	$ 520,920
County's contributions in relation to the actuarially determined contribution	238,812	236,251	13,615,162	1,437,461	1,303,462	886,696	951,182	867,460	641,694	520,920
County's contribution deficiency (excess)	$ -	$ -	$ (12,965,640)	$ -	$ -	$ 232,929	$ 151,689	$ 342,681	$ -	$ -
County's covered payroll	$ 2,941,495	$ 2,767,470	$ 2,551,061	$ 2,737,416	$ 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	8.12%	8.54%	533.71%	52.51%	50.36%	39.15%	40.27%	40.01%	32.06%	27.48%

CORP Detention

	Reporting fiscal year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 81,088	$ 75,685	$ 200,833	$ 276,004	$ 291,129	$ 238,843	$ 221,827	$ 208,141	$ 181,989	$ 191,319
County's contributions in relation to the actuarially determined contribution	81,088	75,685	2,763,173	276,004	291,129	238,843	204,740	191,008	181,989	191,319
County's contribution deficiency (excess)	$ -	$ -	$ (2,562,340)	$ -	$ -	$ -	$ 17,087	$ 17,133	$ -	$ -
County's covered payroll	$ 2,370,354	$ 2,064,021	$ 2,422,090	$ 2,447,650	$ 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	3.42%	3.67%	114.08%	11.28%	11.81%	10.09%	8.02%	8.58%	8.84%	9.22%

CORP Dispatchers

	Reporting fiscal year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 3,101	$ 3,401	$ 33,274	$ 51,724	$ 65,525	$ 47,658	$ 44,926	$ 47,090	$ 30,530	$ 26,396
County's contributions in relation to the actuarially determined contribution	3,101	3,401	988,978	51,724	65,525	47,658	37,583	35,930	30,530	26,396
County's contribution deficiency (excess)	$ -	$ -	$ (955,704)	$ -	$ -	$ -	$ 7,343	$ 11,160	$ -	$ -
County's covered payroll	$ 122,556	$ 109,343	$ 112,325	$ 141,322	$ 160,443	$ 184,578	$ 226,100	$ 254,265	$ 254,000	$ 254,265
County's contributions as a percentage of covered payroll	2.53%	3.11%	880.46%	36.60%	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 2 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 2021 actuarial valuation	17 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. 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 2019 actuarial valuation, changed to PubS-2010 tables. 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 increased the PSPRS-, CORP-, and CORP–AOC-required contributions beginning in fiscal year 2019 for members who were retired as of 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 and 2019.

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

LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

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 U.S. Comptroller General, 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, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 29, 2024.

Report on 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) as a basis for designing 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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-01 through 2023-04 that we consider to be significant deficiencies.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and that are described in the accompanying schedule of findings and questioned costs as items 2023-01 and 2023-05.

County response to findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's responses to the findings identified in our audit that 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 other 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

Lindsey A. Perry, CPA, CFE
Auditor General

March 29, 2024

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

Qualified and unmodified opinions

We have audited Gila County's compliance with the types of compliance requirements identified as subject to audit 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, 2023. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Qualified opinion on the COVID-19—Coronavirus State and Local Fiscal Recovery Funds

In our opinion, except for the noncompliance described in the basis for qualified and unmodified opinions section of our report, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the COVID-19—Coronavirus State and Local Fiscal Recovery Funds (Assistance Listings number 21.027) for the year ended June 30, 2023.

Unmodified opinion on each of the other major federal programs

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2023.

Basis for qualified and unmodified opinions

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 U.S. Comptroller General, and the audit requirement of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the auditors' responsibilities for the audit of compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Matters giving rise to qualified opinion on the COVID-19—Coronavirus State and Local Fiscal Recovery Funds

As described in the accompanying schedule of findings and questioned costs, the County did not comply with reporting requirements for the COVID-19—Coronavirus State and Local Fiscal Recovery Funds as described in item 2023-101. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Management's responsibilities for compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County's federal programs.

Auditors' responsibilities for the audit of compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the County's internal control over compliance. Accordingly, we express no such opinion.

We are required to communicate with those charged with governance regarding, among other matters, the audit's planned scope and timing and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on internal control over compliance

Our consideration of internal control over compliance was for the limited purpose described in the auditors' responsibilities for the audit of compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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 2023-101 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.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Government Auditing Standards requires the auditor to perform limited procedures on the County's responses to the noncompliance and internal control over compliance findings that 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 other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

March 29, 2024

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**
Is a going concern emphasis-of-matter paragraph included in the auditors' report?	**No**
Internal control over financial reporting	
Material weaknesses identified?	**No**
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?	**None reported**

Type of auditors' report issued on compliance for major programs:
Unmodified for all major programs except for the COVID-19—Coronavirus State and Local Fiscal Recovery Funds (Assistance Listings number 21.027), which was qualified.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)?	**Yes**

Identification of major programs

Assistance Listings number	Name of federal program or cluster
21.027	COVID-19—Coronavirus State and Local Fiscal Recovery Funds
21.032	Local Assistance and Tribal Consistency Fund
93.137	COVID-19—Community Programs to Improve Minority Health Grant Program

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

Financial statement findings

2023-01

The County awarded $135,461 to various organizations without requiring them to provide documentation that the monies were used only for economic development that benefited the public, resulting in an increased risk of misuse of County monies

Condition—During fiscal year 2023, the County's Board of Supervisors awarded $135,461 of Constituent Funds discretionary monies to 27 community nonprofit and governmental organizations for economic development, but County management did not require award recipients to provide documentation nor did it monitor how these monies were spent to provide authorized services and activities that benefited the public.

Effect—The County put $135,461 of its Constituent Funds discretionary spending monies to be used to support economic development at an increased risk of misuse because it did not ensure the awarded monies were used for intended and authorized purposes.

Cause—The County's policies and procedures for awarding Constituent Funds discretionary monies for economic development did not include preaward and monitoring follow-up steps for County management to ensure monies were used for intended and authorized purposes. Specifically, the County did not require award recipients to demonstrate their qualifications for the award and specify with detailed budgets how and when requested monies will be used, report and certify how monies were spent, and return any unexpended or misspent monies.

Criteria—County policy requires a signed, written agreement, memorandum of understanding, or contract between the County and the awarded organizations any time the Board of Supervisors awards Constituent Funds for economic development (Gila County Community Agency and Economic Development Funding Policy, BOS-FIN-016). Additionally, the Arizona Constitution, Art. IX, Sec. 7, bans gifts of public monies by counties to individuals and organizations. Consequently, if the County determines that it is appropriate to provide economic development awards to individuals or organizations, it must assess and document how each award serves a public purpose and benefits the County, and the value to be received by the public is not far exceeded by the consideration being paid by the public.

Further, developing and documenting the policies and procedures of internal control responsibilities, such as preaward and follow-up steps for the County's economic development award objectives, to respond to related risks of misusing monies is an essential part of internal control standards, such as the *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States, and integral to ensuring public monies are not fraudulently or mistakenly misused.[1]

Recommendations—County management should improve its policies and procedures for awarding and monitoring Constituent Funds discretionary monies used for economic development to include preaward and follow-up steps for it to follow that:

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. Further, the County should create 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. 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.
3. Require awarded entities to return any unexpended or misspent monies.

The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

This finding is similar to prior-year finding 2022-01 and was initially reported in fiscal year 2017.

---

[1] U.S. Government Accountability Office (GAO). (2014). Standards for internal control in the federal government. Retrieved on 1/30/24 from https://www.gao.gov/assets/670/665712.pdf.

2023-02

The County did not ensure $99,755 of public monies its employees spent on various purchasing card expenditures were for authorized County business purposes, resulting in risk of possible misuse of public monies and possible violation of the Arizona Constitution

Condition—Contrary to its policies, the County did not review and approve or ensure appropriate support was obtained for $99,755 of public monies its employees spent on various purchasing card expenditures to ensure they were for authorized purposes necessary for official County business. Specifically, for 42 of 52 fiscal year 2023 purchasing card transactions we tested, the County paid for the purchases prior to ensuring they were authorized, including 10 transactions totaling $9,243 that were not reviewed and approved by the assigned County department supervisor and 32 transactions totaling $90,512 that lacked required supporting documentation, including to demonstrate the purchase was for authorized County purposes. In addition, contrary to its policies, the County did not perform competitive purchasing procedures to obtain a minimum of 3 written price quotations for $44,329 of the $90,512 purchases.

The table below describes the types of unauthorized purchases.

Purchase type	Total unauthorized purchases	Not reviewed and approved	Lacked required supporting documentation	No competitive purchasing
Building and home improvement materials	$50,184	$6,674	$43,510	$22,056
Equipment rental and leasing	23,871	-	23,871	11,887
Janitorial supplies	5,386	-	5,386	5,386
Automotive supplies	5,000	-	5,000	5,000
Training	4,424	-	4,424	-
Security services	1,826	1,826	-	-
Legal and consulting fees	830	-	830	-
Travel	460	-	460	-
Fuel	410	410	-	-
Political organization fees	230	230	-	-
Electronics	504	103	401	-
Other miscellaneous items from retailers like sporting goods stores, grocery stores, and general merchandise stores like 3M, eBay, and Target	6,630	-	6,630	-
Total	**$99,755**	**$9,243**	**$90,512**	**$44,329**

Effect—The County put public monies at risk of being misspent or being misused through purchasing card expenditures, which could also be a possible violation of the Arizona Constitution's ban on gifts or loans of public monies. Further, when public monies are misspent or misused, less monies are available for uses that benefit the County and its residents, such as for public safety and health and welfare programs.

Cause—The County's policies are not sufficiently detailed, and employee cardholders and department supervisors assigned to review and approve purchasing cards were not trained on them. For example, the policies do not specify the date by which County department heads are required to approve purchases. However, the County's system automatically approves all purchases on the fifth day of the month following the statement closing date so the balance owed by the County can be paid. Therefore, if the County department supervisor has not already approved a purchase prior to the fifth day of the month, the purchase will be paid for without the required department approval. Also, the County's policies do not specify the documentation employees need to include to support a purchase is for authorized County business purposes when this is not evident from the purchase documentation, such as the invoice or receipt; include the requirement to prohibit cash advances; or require that employees and department supervisors be trained on them and how to apply other relevant County policies and procedures, such as those related to competitive purchasing. Additionally, although the Finance Department is required to monitor departments' purchasing card usage for compliance with the policies and procedures, it did not have a process in place for doing so.

Criteria—The County's purchasing card policies restrict County employees' purchasing card use to only purchases required for authorized County business purposes and require them to submit all applicable documentation supporting the purchase to the assigned department supervisor. Additionally, they require department supervisors to review and approve all charges prior to the County's paying the purchasing card but do not specify a time frame. Also, the County's purchasing card policies require the County's Finance Department to monitor departments' compliance with the policies.[1] Similarly, the County's travel policies require travel expenses to be necessary and incurred only while employees are conducting authorized County business, and require employees to submit a travel claim that is accompanied by documentation supporting the travel's purpose, such as conference registrations, agendas, purchase orders, invoices, and itemized receipts.[2] In addition to the purchasing card and travel policies, employees and the assigned department supervisors are also required to adhere to the County's competitive purchasing procedures when making purchasing card expenditures. The County's procurement policies establish purchasing thresholds for performing such procedures that include, for example, obtaining price quotations.[3] Finally, State law bans gifts or loans of public monies by counties to individuals, which could potentially include purchasing card expenditures that are not reviewed and approved and not authorized by County policies (Arizona Constitution, Art. IX, Sec. 7).

Recommendations—The County should:

1. Update its existing policies and procedures for purchasing card expenditures to specify a time frame when department supervisors are expected to review and approve purchasing card transactions, including those for travel expenses; what supporting documentation is required if an authorized County business purpose is not evident from the invoice, receipt, or other support; prohibit cash advances; and to specify penalties for purchasing cardholders who violate County policies.
2. Require department supervisors responsible for reviewing and approving purchasing card transactions, including those for travel expenses, to approve only those transactions that are supported by documentation that evidence purchases are for an authorized County business purpose and to do so prior to the County's paying for them.
3. Require its Finance Department to develop and implement a process to monitor County departments' compliance with the County's policies to help ensure that the County does not pay for purchases that do not have the required invoices, travel claims, receipts, or other documentation supporting that they are for authorized County business.
4. Train all County employees who are purchasing cardholders and department supervisors on its policies and procedures for using purchasing cards, including travel expenses. Training should address detailed instructions for how to submit documentation for review and approval, what documentation to provide, and how to apply competitive purchasing procedures prior to purchases being made.

The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

This finding is similar to prior-year finding 2022-02 and was initially reported in fiscal year 2017.

---

[1] Gila County. (2018). Gila County Credit Card Usage Policy. Retrieved on 1/30/2024 from https://cms3.revize.com/revize/gilaaz/BOS-FIN-114.pdf.

[2] Gila County. (2018). Gila County Travel Policy. Retrieved on 1/30/2024 from https://cms3.revize.com/revize/gilaaz/BOS-FIN-112.pdf.

[3] Gila County. (2018). Gila County Procurement Policy. Retrieved on 1/30/2024 from https://cms3.revize.com/revize/gilaaz/BOS-FIN-113%20Procurement.pdf.

2023-03

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 of potential harm

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 systems and data. Also, it did not include classifying and inventorying sensitive information that might need stronger access and security controls.

Effect—The County's administration and IT management may put the County's operations and IT systems and data at unintended and unnecessary risk of potential harm.

Cause—The County's administration and IT management reported that they had not prioritized documenting its risk-assessment and data classification processes and had not conducted a risk assessment process that involves a discussion with the County's administrative officials and others involved in managing the County who can help assess and respond to IT risks the County faces.

Criteria—Establishing a process for managing risk that follows a credible industry source, such as the National Institute of Standards and Technology, helps the County to effectively manage risk related to IT systems and data. Effectively managing risk includes an entity-wide risk assessment process that involves members of the County's administration and IT management. An effective risk assessment process helps the County determine the risks it faces as the County 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 compliance and service objectives. Additionally, an effective risk management process provides the County the basis for developing appropriate responses based on identified risk tolerances and specific potential risks to which it might be subjected. To help ensure the County's objectives can be met, an effective annual risk assessment considers and identifies IT risk in the County's operating environment, analyzes and prioritizes each identified risk, and develops a plan to respond to each risk within the context of the County's defined objectives and risk tolerances. Finally, effectively managing risk includes the County's process for classifying, and inventorying sensitive information that might need stronger access and security controls to address the risk of unauthorized access and use, modification, or loss of that sensitive information.

Recommendations—The County's administration and IT management should:

1. Plan for where to allocate resources and where to implement critical controls.
2. Ask responsible administrative officials and management over finance, IT, and other entity functions for input in the County's process for managing risk.
3. 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.
4. 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.

The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

This finding is similar to prior-year finding 2022-04 and was initially reported in fiscal year 2014.

2023-04

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 for restricting access were not sufficiently implemented to consistently help prevent or detect unauthorized or inappropriate access to its IT systems and data.

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.

Cause—The County's administration and IT management reported that they are in the process of implementing the IT access policies and procedures they developed and documented but have not yet fully implemented them due to the time it takes to do so.

Criteria—Implementing effective internal controls that follow a credible industry source, such as the National Institute of Standards and Technology, help the County to protect its IT systems and ensure the integrity and accuracy of the data it maintains as it seeks to achieve its financial reporting, compliance, and operational objectives. Effective internal controls include restricting access through logical controls to help to ensure systems and data are accessed by users who have a need, systems and data access granted is appropriate, and key systems and data access is monitored and reviewed.

Recommendations—The County should:

1. Continue to implement comprehensive IT policies and procedures and develop a process to ensure the procedures are being consistently followed.
2. Remove terminated employees' access to IT systems and data.
3. Review all other account access to ensure it remains appropriate and necessary.

The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

This finding is similar to prior-year finding 2022-05 and was initially reported in fiscal year 2014.

2023-05

The County did not obtain conflict of interest statements for all elected officials and employees

Condition—Contrary to the County's conflict-of-interest policy, the County did not obtain from 1 of 15 of its elected officials and 32 of 508 of its employees, or 6 percent, of the annual conflict-of-interest questionnaires.

Effect—There is a risk that a conflict of interest may exist, and the elected official and employees did not appropriately remove themselves from certain transactions. Further, expenditures may have occurred that resulted in employee personal gain or were otherwise inappropriate.

Cause—Although County management requested that all its elected officials and employees complete the annual conflict-of-interest questionnaire, it did not follow up with the elected official or the 32 employees who did not do so to ensure it received the completed questionnaire from everyone.

Criteria—Arizona Revised Statutes 38-501 through 511 and County policy require County public officials, including elected officials, and employees to annually file conflict-of-interest statements/questionnaires.

Recommendations—

1. The County should monitor whether all elected officials and employees provide the annual conflict-of-interest questionnaire after initial request and follow up with those who did not do so to ensure it obtains the questionnaire from everyone.

The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

Federal award findings and questioned costs

2023-101

Assistance Listings number and name:	21.027 **COVID-19 Coronavirus State and Local Fiscal Recovery Funds**
Award number and year:	SLFRP0665, March 3, 2021 through December 31, 2026
Federal agency:	**U.S. Department of the Treasury**
Compliance requirement:	Reporting
Questioned costs:	Not applicable

Condition—The County's Finance Department (Department) did not review and approve all 4 federal program reports (quarterly reports) before submitting them to the federal agency. Specifically, the Department was advanced $10,492,363 of program monies, and of this amount, the Department reported expenditures of $6,165,253 on the quarterly reports as of June 30, 2023. However, the Department did not perform an independent review and approval of these required reports prior to submission to ensure the $6,165,253 of reported expenditures was accurate, agreed to County records, and contained only allowable expenditures. Our testing of the 4 quarterly reports found the following inaccuracies:

- Understatements of $242,886 of current program expenditures and $330,294 of obligations and cumulative expenditures on the October 31, 2022, progress report.
- An overstatement of $1,393,449 and an understatement of $187,826, respectively, of current program expenditures and cumulative program expenditures on the December 31, 2022, progress report.
- Misstatements of $19,284 and $168,542 of current program expenditures and cumulative program expenditures, respectively, on the March 31, 2023, progress report.
- Overstatements of $669,492 and $109,892 of current program expenditures and cumulative program expenditures, respectively, on the June 30, 2023, progress report.

Effect—The Department's reporting inaccurate and erroneous program information results in the federal agency being unable to rely on the reports to effectively monitor the Department's program administration, including its compliance with program requirements and ability to prevent and detect fraud, and to evaluate the program's success. The County is also at risk that this finding applies to other federal programs it administers.

Cause—The County did not have policies and procedures requiring the Department to perform and document and independent review and approval of the program's reports before submitting them to the federal agency. Although the Department reported that it had performed independent reviews and approvals of the reports, it did not document these independent reviews and approvals, nor did these reviews detect the errors we noted above.

Criteria—Federal agency guidance requires the County to verify and confirm that all program information that it reports is accurate and approved before submitting it.[1] Additionally, federal regulation requires establishing and maintaining effective internal control over federal awards that provides reasonable assurance that federal programs are being managed in compliance with all applicable laws, regulations, and award terms (2 CFR §200.303).

Recommendation—The County's management should:

1. Develop policies and procedures requiring the Department to:
   a. Perform and document an independent review and approval of all federal program reports before submitting them to the federal agency to ensure reports are accurate, agree to County records, and contain only allowable expenditures.
   b. Reconcile program expenditure amounts reported to the County's accounting records.
2. Adjust or resubmit reports for detected errors on reports that the Department already submitted to the federal agency so that it is informed of errors on previously submitted reports.
3. Train Department employees responsible for preparing and reviewing reports on what information to gather to prepare the reports and on the County's policies and procedures.

The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

This finding is similar to prior-year finding 2022-103 and was reported in fiscal year 2022.

---

[1] U.S. Department of the Treasury. (2022.) State and Local Fiscal Recovery Funds: Project and Expenditure Report User Guide, Section IV, Part i.— Subawards or Direct Payments. Retrieved on 4/6/2023 from https://home.treasury.gov/system/files/136/April-2022-PE-Report-User-Guide.pdf

COUNTY SECTION

GILA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2022 - 6/30/2023

Federal Awarding Agency/Program Title	*Assistance Listings Number*	*Additional Award Identification (Optional)*	*Name of Funder Pass-Through Entity*	*Identifying Number Assigned By Funder Pass-Through Entity*	*Federal Expenditures*	*Federal Program Total*	*Cluster Name*	*Cluster Total*
DEPARTMENT OF AGRICULTURE								
SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN	*10.557*		*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*CTR043241*	*$291,256*	*$291,256*	*N/A*	*$0*
STATE ADMINISTRATIVE MATCHING GRANTS FOR THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM	*10.561*		*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*ADHS16-106556-A1*	*$219,217*	*$219,217*	*SNAP CLUSTER*	*$219,217*
SCHOOLS AND ROADS - GRANTS TO STATES	10.665				$1,270,757	$1,270,757	FOREST SERVICE SCHOOLS AND ROADS CLUSTER	$1,270,757
TOTAL DEPARTMENT OF AGRICULTURE					$1,781,231			
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*	*127-23, 100-23*	*$431,706*	*$431,706*	*N/A*	*$0*
HOME INVESTMENT PARTNERSHIPS PROGRAM	*14.239*		*ARIZONA DEPARTMENT OF HOUSING*	*309-21*	*$243,272*	*$243,272*	*N/A*	*$0*
CONTINUUM OF CARE PROGRAM	*14.267*		*ARIZONA DEPARTMENT OF HOUSING*	*521-22*	*$5,250*	*$5,250*	*N/A*	*$0*
SECTION 8 HOUSING CHOICE VOUCHERS	14.871				$412,196	$503,961	HOUSING VOUCHER CLUSTER	$503,961
COVID-19 - SECTION 8 HOUSING CHOICE VOUCHERS	14.871	COVID-19			$91,765	$503,961	HOUSING VOUCHER CLUSTER	$503,961
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					$1,184,189			
DEPARTMENT OF JUSTICE								
CORONAVIRUS EMERGENCY SUPPLEMENTAL FUNDING PROGRAM	*16.034*	*COVID-19*	*ARIZONA CRIMINAL JUSTICE COMMISSION*	*ACESF-22-003*	*$11,378*	*$11,378*	*N/A*	*$0*
CRIME VICTIM ASSISTANCE	*16.575*		*ARIZONA DEPARTMENT OF PUBLIC SAFETY*	*2018-V2-GX-0012*	*$90,343*	*$90,343*	*N/A*	*$0*
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	*16.738*		*ARIZONA CRIMINAL JUSTICE COMMISSION*	*DC-23-004*	*$67,285*	*$67,285*	*N/A*	*$0*
BODY WORN CAMERA POLICY AND IMPLEMENTATION	16.835				$114,449	$114,449	N/A	$0
COMPREHENSIVE OPIOID, STIMULANT, AND OTHER SUBSTANCES USE PROGRAM	16.838				$177,081	$177,081	N/A	$0
TOTAL DEPARTMENT OF JUSTICE					$460,536			
DEPARTMENT OF LABOR								
WIOA ADULT PROGRAM	*17.258*		*ARIZONA DEPARTMENT OF ECONOMIC SECURITY*	*23AEWIOA-313181*	*$105*	*$105*	*N/A*	*$0*
TOTAL DEPARTMENT OF LABOR					$105			
DEPARTMENT OF TRANSPORTATION								
STATE AND COMMUNITY HIGHWAY SAFETY	*20.600*		*GOVERNOR'S OFFICE OF HIGHWAY SAFETY*	*2022-PTS-026, 2023-PTS-023*	*$27,265*	*$27,265*	*HIGHWAY SAFETY CLUSTER*	*$27,265*
TOTAL DEPARTMENT OF TRANSPORTATION					$27,265			
DEPARTMENT OF TREASURY								
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	COVID-19			$4,325,914	$4,325,914	N/A	$0
LOCAL ASSISTANCE AND TRIBAL CONSISTENCY FUND	21.032	COVID-19			$5,095,501	$5,095,501	N/A	$0
TOTAL DEPARTMENT OF TREASURY					$9,421,415			
ENVIRONMENTAL PROTECTION AGENCY								
BROWNFIELDS ASSESSMENT AND CLEANUP COOPERATIVE AGREEMENTS	66.818				$142,753	$142,753	N/A	$0
TOTAL ENVIRONMENTAL PROTECTION AGENCY					$142,753			
DEPARTMENT OF ENERGY								
WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS	*81.042*		*ARIZONA DEPARTMENT OF HOUSING*	*213-22*	*$78,238*	*$78,238*	*N/A*	*$0*
TOTAL DEPARTMENT OF ENERGY					$78,238			
DEPARTMENT OF EDUCATION								
ADULT EDUCATION - BASIC GRANTS TO STATES	*84.002*		*ARIZONA DEPARTMENT OF EDUCATION*	*23FABASC-313181-01A, 23FPRLEC-313181-01A, 23FVILEC-313181-01A, 23FIELCC-313181-01A, 23FIECTC-313181-01A, 23FEAEWF-313181-01, 23FIETCO-313181-01A*	*$86,775*	*$86,775*	*N/A*	*$0*
SPECIAL EDUCATION GRANTS TO STATES	*84.027*		*ARIZONA DEPARTMENT OF EDUCATION*	*23FESCBG-311207-09A*	*$12,705*	*$12,705*	*N/A*	*$0*
TOTAL DEPARTMENT OF EDUCATION					$99,480			
ELECTION ASSISTANCE COMMISSIOS								
2018 HAVA ELECTION SECURITY GRANTS	*90.404*		*ARIZONA SECRETARY OF STATE*	*AZ20101001*	*$7,482*	*$7,482*	*N/A*	*$0*
TOTAL ELECTION ASSISTANCE COMMISSION					$7,482			
DEPARTMENT OF HEALTH AND HUMAN SERVICES								
PUBLIC HEALTH EMERGENCY PREPAREDNESS	*93.069*		*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*CTR055209*	*$192,987*	*$192,987*	*N/A*	*$0*
INJURY PREVENTION AND CONTROL RESEARCH AND STATE AND COMMUNITY BASED PROGRAMS	*93.136*		*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*IGA2021-069*	*$194,054*	*$194,054*	*N/A*	*$0*
COVID-19 - COMMUNITY PROGRAMS TO IMPROVE MINORITY HEALTH GRANT PROGRAM	93.137	COVID-19			$1,284,929	$1,284,929	N/A	$0
IMMUNIZATION COOPERATIVE AGREEMENTS	*93.268*		*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*CTR060581, ADHS18-177678, CTR060267*	*$330,620*	*$330,620*	*N/A*	*$0*
COVID-19 - EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASES (ELC)	*93.323*	*COVID-19*	*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*CTR055997*	*$604,833*	*$604,833*	*N/A*	*$0*
COOPERATIVE AGREEMENT FOR EMERGENCY RESPONSE -PUBLIC HEALTH CRISIS RESPONSE- 2018	*93.354*		*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*CTR055209*	*$426,292*	*$426,292*	*N/A*	*$0*
ACTIVITIES TO SUPPORT STATE, TRIBAL, LOCAL AND TERRITORIAL (STLT) HEALTH DEPARTMENT RESPONSE TO PUBLIC HEALTH OR HEALTHCARE CRISES	*93.391*	*COVID-19*	*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*CTR055997*	*$348,093*	*$348,093*	*N/A*	*$0*
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	*93.558*		*ARIZONA DEPARTMENT OF ECONOMIC SECURITY*	*DI20-002263*	*$69,144*	*$69,144*	*N/A*	*$0*
CHILD SUPPORT ENFORCEMENT	*93.563*		*ARIZONA DEPARTMENT OF ECONOMIC SECURITY*	*KR18-0573*	*$67,167*	*$67,167*	*N/A*	*$0*
COVID-19 - LOW-INCOME HOME ENERGY ASSISTANCE	*93.568*	*COVID-19*	*ARIZONA DEPARTMENT OF ECONOMIC SECURITY*	*DI20-002263*	*$125,160*	*$611,023*	*N/A*	*$0*

LOW-INCOME HOME ENERGY ASSISTANCE	*93.568*	*ARIZONA DEPARTMENT OF ECONOMIC SECURITY*	*DI20-002263*	*$29,078*	*$611,023*	*N/A*	*$0*
LOW-INCOME HOME ENERGY ASSISTANCE	*93.568*	*ARIZONA DEPARTMENT OF HOUSING*	*213-22*	*$456,785*	*$611,023*	*N/A*	*$0*
COMMUNITY SERVICES BLOCK GRANT	*93.569*	*ARIZONA DEPARTMENT OF ECONOMIC SECURITY*	*DI20-002263*	*$191,431*	*$191,431*	*N/A*	*$0*
GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAMS	*93.597*	*ARIZONA DEPARTMENT OF ECONOMIC SECURITY*	*DI16-002146*	*$80,190*	*$80,190*	*N/A*	*$0*
SOCIAL SERVICES BLOCK GRANT	*93.667*	*ARIZONA DEPARTMENT OF ECONOMIC SECURITY*	*DI20-002263*	*$8,048*	*$8,048*	*N/A*	*$0*
HIV CARE FORMULA GRANTS	*93.917*	*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*ADHS18-193949*	*$176,803*	*$176,803*	*N/A*	*$0*
HIV PREVENTION ACTIVITIES_HEALTH DEPARTMENT BASED	*93.940*	*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*ADHS18-188825 CTR066160*	*$4,947*	*$4,947*	*N/A*	*$0*
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	*93.994*	*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*CTR055258*	*$146,474*	*$146,474*	*N/A*	*$0*
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES				$4,737,035			
DEPARTMENT OF HOMELAND SECURITY							
EMERGENCY MANAGEMENT PERFORMANCE GRANTS	*97.042*	*ARIZONA DEPARTMENT OF MILITARY AND EMERGENCY AFFAIRS*	*EMF-2021-EP-00016-S01*	*$226,129*	*$226,129*	*N/A*	*$0*
TOTAL DEPARTMENT OF HOMELAND SECURITY				$226,129			
TOTAL EXPENDITURE OF FEDERAL AWARDS				$18,165,857			

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 7/1/2022 - 6/30/2023

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 financial statements.

10% De Minimis Cost Rate
The County elected 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, 2023. 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.

Federal Assistance Listings number
The program titles and Federal Assistance Listings numbers were obtained from the federal or pass-through grantor or the 2023 Federal Assistance Listings.

COUNTY RESPONSE

Gila County Finance Department
1400 E. Ash Street, Globe, Arizona 85501
Fax: (928) 425-7056

James Menlove
County Manager
jmenlove@gilacountyaz.gov
928-402-4387

Maryn Belling
Finance Director
mbelling@gilacountyaz.gov
928-402-8743

March 13, 2024

Lindsey A. Perry
Arizona Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 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 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, for each finding, we are providing you with our responsible officials' views, the names of the contact people responsible for corrective action, the corrective action planned, and the Anticipated completion date.

Sincerely,

Maryn Belling, Finance Director

Gila County
Corrective action plan
Year ended June 30, 2023

Financial Statement Findings

2023-01
The County awarded $135,461 to various organizations without requiring them to provide documentation that the monies were used only for economic development that benefited the public, resulting in an elevated risk of misuse of County monies.
Contact: Maryn Belling, Finance Director
Anticipated completion date: June 30, 2024

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 to include an application process detailing the request for funding. Prior to funding, each request will be reviewed to ensure services and uses are constitutional, and that an agreement is executed by the County and requesting party and will require that the funds will be utilized as intended. Any unexpended funds will be returned to the County. The awarded entities will be required to certify that the awarded funds were used as intended. A revision of Policy BOS-FIN-016 was presented at the February 27, 2024 Gila County Board of Supervisors Work Session and is being presented for adoption at the Board of Supervisors meeting on April 2, 2024.

2023-02
The County did not ensure $99,755 of public monies its employees spent on various purchasing card expenditures were for authorized County business purposes, resulting in risk of possible misuse of public monies and possible violation of the Arizona Constitution.
Contact: Maryn Belling, Finance Director
Anticipated completion date: June 30, 2024

Corrective Action: Monthly the main page of Bank of America Works system is updated to include the reconciliation & approval date (6^{th} of the following month) for all transactions by both accountholders and approvers. Transactions not in compliance with County policies are required to be reimbursed to the County. Card use is suspended when errors are identified subsequent to 6^{th} of the month. Cash advances are prohibited countywide (corrected in FY21) County policy will be updated to reflect this default setting on p-cards.

The Finance Department has implemented additional training to all Elected Officials and Department Directors and staff on the travel policy, credit card policy, and procurement policy. The audit findings, specifically regarding credit card purchases and travel documentation were discussed with Elected Officials and County Leadership on February 15, 2023, and the handout was distributed by email to Elected Officials, Department Directors, and their staff. On March 23 and April 19, 2023, emails were distributed to all Elected Officials, Department Directors, and their staff identifying outstanding credit card charges that were not reviewed and approved for the first quarter of calendar year 2023. Staff have been providing training and updating permissions in the Works software credit card reconciliation system so that credit card charges are properly reviewed and approved. Finance continues internal auditing processes for credit card purchases and travel reconciliation to ensure that credit card purchases are properly documented, and credit cards are used for approved business purposes. The Finance staff will provide additional training to County employees on the Procurement, Travel, and Credit Card policies and will continue to monitor and audit expenditures monthly to ensure compliance with policies.

2023-03

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 of potential harm.

Contact: Maryn Belling, Finance Director
Anticipated completion date: June 30, 2024

Corrective Action Plan: To help improve its risk-analysis for information and technology security the County IT Department will train staff on the Security Risk Assessment Policy BOS-IT-003 that was adopted by the Board of Supervisors on June 25, 2019, to ensure compliance. IT Director and staff will provide appropriate training on the policy requirements and will lead in developing procedures detailing how to conduct an entity-wide risk assessment and document findings and corrective actions, anticipated completion 6/30/24.

IT staff provided training in identification and classification of sensitive information and how to safeguard information with proper controls. On May 10, 2022, IT implemented an auto encrypt mail feature for sensitive information (HIPAA, PII, PHI) within the county's new email filter. Users have been trained and can also use manual encryption as required by law. All Offices and Departments were notified of the auto and manual encrypt feature. IT also implemented a new VM environment which allowed all Data at Rest to be encrypted on May 15, 2022.

IT has developed additional procedures to perform multiple IT risk-assessment processes. Gila County has contracted a 3rd party vendor to conduct an IT internal and external penetration and risk assessment in Oct 2021 and January 2022. Since October 2020, IT staff has reviewed Elevated Access logs from Netwrix. External Penetration testing was completed on schedule January 2022, Internal Penetration testing was completed in March 2022.

Information Access Control Policy BOS-IT-002 was adopted on June 25, 2019. Multifactor Authentication (MFA) has been implemented to approximately 150 users currently to high-risk Departments such as finance, Human Resources, and Health. Implementation was delayed due to supply chain issues receiving Windows Hello Cameras. IT staff will continue MFA implementation as equipment becomes available and scheduled completion is December 31, 2022. Gila County IT Director and staff will develop procedures to ensure policy compliance and document user account access permissions and deletions.

Additional security and MFA measures are in effect with ongoing analysis, internal audit & testing activities, and best-practice VPN requirements. For proprietary and security purposes, the specifics of FY2023 improvement implementations will be available to the Auditor General's office during the FY23 audit process. For the security of our network and its participating users, the proprietary combination of programs, internal-review protocols, and routine penetration evaluations are not shared publicly.

2023-04

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.

Contact: Maryn Belling, Finance Director
Anticipated completion date: June 30, 2024

Corrective Action Plan: To help prevent and detect unauthorized access or use, manipulation, damage, or loss to its IT resources, the County has developed effective logical access policies and procedures over its IT resources.

Restricting access—Netwrix reporting on elevated access to systems and notifications as well as utilizing elevated privileges with Multi Factor Authentication (MFA) for system access was implemented in October 2020 and anticipated completion is December 31, 2023. Created Disabled users Organizational Unit in Active Directory Oct 1, 2020, and IT staff reviews and remediates stale permissions and accounts on an on-going basis.

Managing system configurations and changes—Change control process and documentation was implemented in Aug 2020 and is currently under review by IT staff to improve and document accountability within the process, anticipated completion is December 31, 2023. IT staff is currently working on a configuration management policy for review and anticipated adoption to be completed by December 2023.

Information Access Control Policy BOS-IT-002 was adopted on June 25, 2019. Multifactor Authentication (MFA) has been implemented to approximately 150 users currently to high-risk Departments such as finance, Human Resources, and Health. Implementation was delayed due to supply chain issues receiving Windows Hello Cameras. IT staff will continue MFA implementation as equipment becomes available and scheduled completion is December 31, 2023. Gila County IT Director and staff will develop procedures to ensure policy compliance and document user account access permissions and deletions.
Provide all employees with ongoing training on IT security risks and their responsibilities to ensure systems and data are protected-Implemented Know Be 4 Training January 2020.

IT staff will be reviewing permissions within systems with each department using the systems to determine the lowest level of permissions required to perform their functions. User privileges will be adjusted accordingly, and the permission changes will be documented, anticipated completion June 30, 2024.

Additional security and MFA measures are in effect with ongoing analysis, internal audit & testing activities, and best-practice VPN requirements. For proprietary and security purposes, the specifics of FY2023 improvement implementations were available to the Auditor General's office during the FY23 audit process. For the security of our network and its participating users, the proprietary combination of programs, internal-review protocols, and routine penetration evaluations are not shared publicly.

2023-05
The County did not obtain conflict of interest statements for all elected officials and employees.
Contact: Maryn Belling, Finance Director
Anticipated Completion Date: March 31, 2024

Corrective Action Plan: To eliminate non-compliance with the Conflict of Interest annual reporting requirement, Gila County Human Resources established a follow-up protocol for all current employees and elected officials. The list of employees identified by the Arizona Auditor General's office as non-compliant for FY23 included: 9 individuals no longer employed by Gila County, an individual suspended under ARS §11-664, and 2 employees whose 2023 forms were misfiled under 2022. All others identified received correspondence through their direct supervisor to become compliant. As of the date of this report, all but 11 employees are in compliance for FY2024.

Federal Award Findings and Questioned Costs

2023-101

Assistance Listings number and program name: 21.027 COVID-19 Corona Virus State and Local Fiscal Recovery Fund
Contact: Maryn Belling
Anticipated completion date: June 30, 2024

Corrective Action Plan: The County will develop, implement, and maintain procedures requiring both the performance & documentation of independent review and approval of all federal program reports prior to submitting them to the federal agency to ensure the reports are accurate, agree to County records, and contain only allowable expenditures. Program expenditures will be reconciled to the County's accounting records.

The County's previous corrective action plan stated "Errors identified will be reported to the federal agency in adjusted or resubmitted reports" however the Federal Reporting interface lacks capacity for resubmitted reports. The adjusted reports resulted in the understatement and overstatement amounts noted in Federal Award Finding 2023-101.

Departmental training will be provided for staff responsible for preparing and reviewing reports for both data management, compliance with Uniform Guidance, 2 Code of Federal Regulations (CFR) §200.510, and adherence to County's policies and procedures.

Gila County Finance Department
1400 E. Ash Street, Globe, Arizona 85501
Fax: (928) 425-7056

Amber T. Warden
Accounting Manager
atwarden@gilacountyaz.gov
928-402-8777

Maryn Belling
Finance Director
mbelling@gilacountyaz.gov
928-402-8743

March 13, 2024

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,

Maryn Belling
Finance Director

Status of financial statement findings

Finding number: 2022-01 **Status: Not Corrected**
Explanation: *Staff and County Attorney's office have implemented improvements to the internal controls, documentation, and tracking processes for Economic Development Grants. Following a 12-month trial implementation, Gila County Staff are presenting Policy BOS-FIN-016 at a work session on February 27, 2024.*
The County awarded $140,925 to various organizations without requiring them to provide documentation that the monies were used only for economic development that benefited the public, resulting in an elevated risk of misuse of County monies. This finding initially occurred in fiscal year 2018 (Finding 2018-01)
Contact: Maryn Belling, Finance Director
Anticipated completion date: December 31, 2023

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 to include an application process detailing the request for funding. Prior to funding, each request will be reviewed to ensure services and uses are constitutional, and that an agreement is executed by the County and requesting party and will require that the funds will be utilized as intended. Any unexpended funds will be returned to the County. The awarded entities will be required to certify that the awarded funds were used as intended.

Finding number: 2022-02 **Status: Partially Corrected**
Explanation: *Staff have implemented improvements to the internal controls for p-Card transactions and approval in addition to providing education to other departments for*
The County did not ensure $36,610 of public monies its employees spent on various purchasing card expenditures were for authorized County business purposes, resulting in risk of possible misuse of public monies and possible violation of the Arizona Constitution. This finding initially occurred in fiscal year 2018 (Finding 2018-02)
Contact: Maryn Belling, Finance Director
Anticipated completion date: June 30, 2023

Corrective Action: Monthly the main page of Bank of America Works system is updated to include the reconciliation & approval date (6th of the following month) for all transactions by both accountholders and approvers. Transactions not in compliance with County policies are required to be reimbursed to the County. Card use is suspended when errors are identified subsequent to 6th of the month. Cash advances are prohibited countywide (corrected in FY21) County policy will be updated to reflect this default setting on p-cards.

The Finance Department has implemented additional training to all Elected Officials and Department Directors and staff on the travel policy, credit card policy, and procurement policy. The audit findings, specifically regarding credit card purchases and travel documentation were discussed with Elected Officials and County Leadership on February 15, 2023, and the handout was distributed by email to Elected Officials, Department Directors, and their staff. On March 23 and April 19, 2023, emails were distributed to all Elected Officials, Department Directors, and their staff identifying outstanding credit card charges that were not reviewed and approved for the first quarter of calendar year 2023. Staff have been providing training and updating permissions in the Works software credit card reconciliation system so that credit card charges are properly reviewed and approved. Finance continues internal auditing processes for credit card purchases and travel reconciliation to ensure that credit card purchases are properly documented, and credit cards are used for approved business purposes. The Finance staff will provide additional training to County employees on the Procurement, Travel, and

Credit Card policies and will continue to monitor and audit expenditures monthly to ensure compliance with policies.

Finding Number: 2022-03 **Status: Fully Corrected**
The County lacked inventorying and other recordkeeping for nearly $14.1 million of capital assets, resulting in an increased risk that they could be misstated, and machinery and equipment could be stolen, lost, or misused. This finding initially occurred in fiscal year 2018 (Finding 2018-04)
Contact: Maryn Belling, Finance Director
Completion Date: June 30, 2023

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 will be completed by May 2023 with reconciliation completed by June 30, 2023. On-going training will be conducted as necessary.

Finding Number: 2022-04 **Status: Partially Corrected**
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 of potential harm. This finding initially occurred in fiscal year 2018 (Finding 2018-06).
Contact: Maryn Belling, Finance Director
Anticipated completion date: June 30, 2023

Corrective Action Plan: To help improve its risk-analysis for information and technology security the County IT Department will train staff on the Security Risk Assessment Policy BOS-IT-003 that was adopted by the Board of Supervisors on June 25, 2019, to ensure compliance. IT Director and staff will provide appropriate training on the policy requirements and will lead in developing procedures detailing how to conduct an entity-wide risk assessment and document findings and corrective actions, anticipated completion 6/30/23.

IT staff provided training in identification and classification of sensitive information and how to safeguard information with proper controls. On May 10, 2022, IT implemented an auto encrypt mail feature for sensitive information (HIPAA, PII, PHI) within the county's new email filter. Users have been trained and can also use manual encryption as required by law. All Offices and Departments were notified of the auto and manual encrypt feature. IT also implemented a new VM environment which allowed all Data at Rest to be encrypted on May 15, 2022.

IT has developed additional procedures to perform multiple IT risk-assessment processes. Gila County has contracted a 3rd party vendor to conduct an IT internal and external penetration and risk assessment in Oct 2021 and January 2022. Since October 2020, IT staff has reviewed Elevated Access logs from Netwrix. External Penetration testing was completed on schedule January 2022, Internal Penetration testing was completed in March 2022.

Information Access Control Policy BOS-IT-002 was adopted on June 25, 2019. Multifactor Authentication (MFA) has been implemented to approximately 150 users currently to high-risk Departments such as finance, Human Resources, and Health. Implementation was delayed due to supply chain issues receiving Windows Hello Cameras. IT staff will continue MFA implementation as equipment becomes available and scheduled completion is December 31, 2022. Gila County IT Director and staff will develop procedures to ensure policy compliance and document user account access permissions and deletions.

Additional security and MFA measures are in effect with ongoing analysis, internal audit & testing activities, and best-practice VPN requirements. For proprietary and security purposes, the specifics of FY2023 improvement implementations will be available to the Auditor General's office during the FY23 audit process. For the security of our network and its participating users, the proprietary combination of programs, internal-review protocols, and routine penetration evaluations are not shared publicly.

Finding Number: 2022-05 Status: Partially Corrected
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. This finding initially occurred in fiscal year 2018 (finding 2018-07).
Contact: Maryn Belling, Finance Director
Anticipated completion date: June 30, 2023

Corrective Action Plan: To help prevent and detect unauthorized access or use, manipulation, damage, or loss to its IT resources, the County has developed effective logical access policies and procedures over its IT resources.

Restricting access—Netwrix reporting on elevated access to systems and notifications as well as utilizing elevated privileges with Multi Factor Authentication (MFA) for system access was implemented in October 2020 and anticipated completion is December 31, 2022. Created Disabled users Organizational Unit in Active Directory Oct 1, 2020, and IT staff reviews and remediates stale permissions and accounts on an on-going basis.

Managing system configurations and changes—Change control process and documentation was implemented in Aug 2020 and is currently under review by IT staff to improve and document accountability within the process, anticipated completion is December 1, 2022. IT staff is currently working on a configuration management policy for review and anticipated adoption to be completed by December 2022.

Information Access Control Policy BOS-IT-002 was adopted on June 25, 2019. Multifactor Authentication (MFA) has been implemented to approximately 150 users currently to high-risk Departments such as finance, Human Resources, and Health. Implementation was delayed due to supply chain issues receiving Windows Hello Cameras. IT staff will continue MFA implementation as equipment becomes available and scheduled completion is December 31, 2022. Gila County IT Director and staff will develop procedures to ensure policy compliance and document user account access permissions and deletions.

Provide all employees with ongoing training on IT security risks and their responsibilities to ensure systems and data are protected-Implemented Know Be 4 Training January 2020.

IT staff will be reviewing permissions within systems with each department using the systems to determine the lowest level of permissions required to perform their functions. User privileges will be adjusted accordingly, and the permission changes will be documented, anticipated completion June 30, 2023.

Additional security and MFA measures are in effect with ongoing analysis, internal audit & testing activities, and best-practice VPN requirements. For proprietary and security purposes, the specifics of FY2023 improvement implementations will be available to the Auditor General's office during the FY23 audit process. For the security of our network and its participating users, the proprietary combination of programs, internal-review protocols, and routine penetration evaluations are not shared publicly.

Status of federal award findings and questioned costs

Finding Number: 2022-101 **Status: Fully Corrected**

Assistance Listings number and program name: NOT APPLICABLE
Contact: Maryn Belling
Anticipated completion date: May 31, 2023

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.*This finding initially occurred in fiscal year 2022.*

Finding Number: 2022-102 **Status: Fully Corrected**

Assistance Listings number and program name: 21.027 COVID-19 Corona Virus State and Local Fiscal Recovery Fund
Contact: Maryn Belling
Anticipated completion date: June 30, 2023

Corrective Action Plan: The County procurement officer will, in collaboration with responsible departments, follow County policies and procedures for determining and documenting each sole-source procurement including documenting the good-faith search for available sources, concluding a single source, and including the related documentation in the contract file. The Procurement Officer and departments responsible for procurement will participate in annual training about County policies and procedures regarding the determination and documentation of sole-source procurement. *This finding initially occurred in fiscal year 2022*

Finding Number: 2022-103 **Status: Not Corrected**

Assistance Listings number and program name: 21.027 COVID-19 Corona Virus State and Local Fiscal Recovery Fund
Contact: Maryn Belling
Anticipated completion date: May 31, 2023

Corrective Action Plan: The County will develop, implement, and maintain procedures requiring both the performance & documentation of independent review and approval of all federal program reports prior to submitting them to the federal agency to ensure the reports are accurate, agree to County records, and contain only allowable expenditures. Program expenditures will be reconciled to the County's accounting records. Errors identified will be reported to the federal agency in adjusted or resubmitted reports. Departmental training will be provided for staff responsible for preparing and reviewing reports for both data management, compliance with Uniform Guidance, 2 Code of Federal Regulations (CFR) §200.510, and adherence to County's policies and procedures. *This finding initially occurred in fiscal year 2022*

Finding Number: 2022-104 **Status: Fully Corrected**

Assistance Listings number and program name: 93.137 Community Programs to Improve Minority Health Grant Program
Contact: Maryn Belling
Anticipated completion date: June 30, 2023

Corrective Action Plan: The County will develop, implement, and maintain procedures requiring both the performance & documentation of independent review and approval of all federal program reports prior to submitting them to the federal agency to ensure the reports are accurate, agree to County records, and contain only allowable expenditures. Program expenditures will be reconciled to the County's accounting records. Errors identified will be reported to the federal agency in adjusted or resubmitted reports. Departmental training will be provided for staff responsible for preparing and reviewing reports for both data management, compliance with Uniform Guidance, 2 Code of Federal Regulations (CFR) §200.510, and adherence to County's policies and procedures. *This finding initially occurred in fiscal year 2022*

ARIZONA
Auditor General
Making a Positive Difference