

Gila County

Annual Financial Report

Year Ended June 30, 2022



A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





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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, 2022, 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, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

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, 2022, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. 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 49 through 56, schedule of the County's proportionate share of the net pension liability—cost-sharing pension plans on page 57, schedule of changes in the County's net pension liability and related ratios—agent pension plans on pages 58 through 60, and the schedule of County pension contributions on pages 61 through 62 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.

Other reporting required by *Government Auditing Standards*

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

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

March 31, 2023

Gila County

Management's discussion and analysis

Year Ended June 30, 2022

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, 2022. 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 \$25.2 million (net position). Of this amount, \$33.7 million is the net investment in capital assets (e.g., land, buildings, improvements, machinery and equipment, infrastructure and construction in progress); \$32.6 million is restricted for specific purposes (restricted net position); and (\$41.1) million is the County's deficit that is primarily a result of recognizing long-term liabilities related to pensions and other postemployment benefits (OPEB).
- At June 30, 2022, total assets were \$114.7 million, an increase of \$13.4 million or 13.2 percent in comparison with the prior fiscal year's balance of \$101.3 million.
- At June 30, 2022, total liabilities were \$83.8 million, a decrease of \$24.1 million or 22.3 percent in comparison with the prior fiscal year's balance of \$107.9 million.
- At June 30, 2022, the County reported total deferred outflows of resources related to pensions/OPEB of \$8.9 million and deferred inflows of resources related to pensions/OPEB of \$14.6 million.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$30.9 million, a decrease of \$5.2 million in comparison with the prior year's balance of \$36.1 million.
- At the end of the current fiscal year, General Fund had an unrestricted fund balance of \$11.8 million or 23.1 percent of total general fund expenditures. Of this amount, assigned fund balance for construction projects, rainy day and cash flow reserves was \$16.4 million and unassigned deficit was \$4.5 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

Gila County

Management's discussion and analysis

Year Ended June 30, 2022

reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The statement of activities distinguishes functions of the County that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or part of their costs through user fees and charges.

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

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

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

Fund Financial Statements

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

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

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

Gila County

Management's discussion and analysis

Year Ended June 30, 2022

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 47 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 64 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 \$25.2 million as presented in the following table.

Condensed statement of net position (in thousands) June 30, 2022 and 2021

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 53,157	\$ 47,161	\$13,374	\$12,969	\$ 66,531	\$ 60,130
Capital assets, net	<u>43,571</u>	<u>36,971</u>	<u>4,634</u>	<u>4,235</u>	<u>48,205</u>	<u>41,206</u>
Total assets	<u>96,728</u>	<u>84,132</u>	<u>18,008</u>	<u>17,204</u>	<u>114,736</u>	<u>101,336</u>
Deferred outflows	<u>8,713</u>	<u>27,744</u>	<u>149</u>	<u>150</u>	<u>8,862</u>	<u>27,894</u>
Current and other liabilities	12,852	8,571	115	70	12,967	8,641
Long-term liabilities	<u>65,690</u>	<u>94,078</u>	<u>5,170</u>	<u>5,186</u>	<u>70,860</u>	<u>99,264</u>
Total liabilities	<u>78,542</u>	<u>102,649</u>	<u>5,285</u>	<u>5,256</u>	<u>83,827</u>	<u>107,905</u>
Deferred inflows	<u>14,341</u>	<u>1,953</u>	<u>217</u>	<u>16</u>	<u>14,558</u>	<u>1,969</u>
Net position						
Net investment in capital assets	\$ 29,165	\$ 26,536	\$ 4,490	\$ 4,009	\$ 33,655	\$ 30,545
Restricted	26,985	23,715	5,675	5,377	32,660	29,092
Unrestricted	<u>(43,592)</u>	<u>(42,977)</u>	<u>2,490</u>	<u>2,695</u>	<u>(41,102)</u>	<u>(40,282)</u>
Total net position	<u>\$ 12,558</u>	<u>\$ 7,274</u>	<u>\$12,655</u>	<u>\$12,081</u>	<u>\$ 25,213</u>	<u>\$ 19,355</u>

The largest portion of the County's net position is approximately \$33.7 million, or 133.5 percent, that reflects its investment in capital assets (e.g. land, buildings, equipment, vehicles and infrastructure); less accumulated depreciation and any related debt used to acquire those assets that is still outstanding. The

Gila County

Management's discussion and analysis

Year Ended June 30, 2022

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 \$32.7 million, or 129.5 percent, is subject to external restrictions on how they may be used. The County's unrestricted deficit of \$41.1 million, or negative 163 percent, was an increase of \$820,506 from the prior year's unrestricted deficit of \$40.3 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 \$6.0 million was primarily due to the receipt of grant monies from the American Rescue Plan Act that were unspent at year end.
- Deferred outflows and inflows related to pensions and OPEB—the net decrease of \$19.0 million for the deferred outflows and the net increase of \$12.4 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, 2022 and a measurement date of June 30, 2021.
- Long-term liabilities—the net decrease of \$28.4 million was largely due to a net decrease of \$27.2 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, 2022 and a measurement date of June 30, 2021.

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

- Current and other assets – the increase of \$405,399 was primarily due to an increase in cash and investments for the landfill closure and postclosure account.
- Deferred inflows related to pensions and OPEB – the net increase of \$200,839 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, 2022 and a measurement date of June 30, 2021.

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 \$5.9 million. The following table presents the changes in net position.

Gila County
Management's discussion and analysis
Year Ended June 30, 2022

Changes in Net Position
(in thousands)
Years Ended June 30, 2022 and 2021

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,626	\$ 3,613	\$ 2,711	\$ 2,276	\$ 6,337	\$ 5,889
Grants and contributions	28,698	19,083			28,698	19,083
General revenues:						
Property taxes	25,288	24,622			25,288	24,622
County excise tax	6,385	6,075			6,385	6,075
Share of state sales taxes	8,630	7,921			8,630	7,921
Shared revenue, state vehicle license tax	2,233	2,339			2,233	2,339
State appropriations	550	550			550	550
Shared revenue, state liquor license tax	12	21			12	21
Payments in lieu of taxes	3,962	4,058			3,962	4,058
Investment income	(982)	212	(171)	4	(1,153)	216
Miscellaneous	1,521	758			1,521	758
Total revenues	<u>79,923</u>	<u>69,252</u>	<u>2,540</u>	<u>2,280</u>	<u>82,463</u>	<u>71,532</u>
Expenses:						
General government	25,801	33,316			25,801	33,316
Public safety	23,914	15,425			23,914	15,425
Highways and streets	6,275	6,354			6,275	6,354
Health	7,161	1,959			7,161	1,959
Welfare	6,935	7,735			6,935	7,735
Sanitation	166	189	1,966	1,751	2,132	1,940
Culture and recreation	1,312	1,300			1,312	1,300
Education	2,260	2,229			2,260	2,229
Interest on long-term debt	815	1,037			815	1,037
Total expenses	<u>74,639</u>	<u>69,544</u>	<u>1,966</u>	<u>1,751</u>	<u>76,605</u>	<u>71,295</u>
Changes in net position	5,284	(292)	574	529	5,858	237
Net position—beginning	<u>7,274</u>	<u>7,566</u>	<u>12,081</u>	<u>11,552</u>	<u>19,355</u>	<u>19,118</u>
Net position—ending	<u>\$12,558</u>	<u>\$ 7,274</u>	<u>\$12,655</u>	<u>\$12,081</u>	<u>\$25,213</u>	<u>\$19,355</u>

Overall, the governmental activities revenues increased by \$10.7 million, or 15.4 percent, and program expenses increased by \$5.1 million, or 7.3 percent, in the current fiscal year. The following provides an explanation of governmental activities revenues and expenses that changed significantly compared to the prior year:

Grants and contributions—The net increase of \$9.6 million was primarily due to the receipt of additional grants due to the COVID-19 pandemic and state funding related to flood mitigation efforts after the Telegraph fire in the summer of 2021.

Investment loss—The net decrease of \$1.2 million was primarily due to a decline in investment values at June 30, 2022.

Public safety expenses—The net increase of \$8.5 million was primarily due to expenditures related to the

Gila County

Management's discussion and analysis

Year Ended June 30, 2022

flood mitigation efforts after the Telegraph fire in the summer of 2021.

Overall, the business-type activities revenues increased by \$259,849, or 11.4 percent, and program expenses increased by \$214,441, or 12.2 percent, in the current fiscal year.

Financial Analysis of the Governmental Funds

The County reported four major funds for this fiscal year: the General Fund, American Rescue Plan Act Fund, Health Services Fund, and Public Works Fund. At the end of the current fiscal year, the County's governmental funds reported combined fund balances of \$30.9 million, which was a decrease of \$5.2 million from the prior year. Of the total, \$6.1 million constitutes unrestricted fund balances.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, fund balance of the General Fund was \$12 million, a decrease of \$4.1 million, or 25.2 percent over the prior year's balance of \$16 million. The unrestricted fund balance of the General Fund was \$11.8 million, which represents 23.1 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

Cash and investments held by trustee-restricted—The decrease of \$4.6 million was solely due to the spending of the remaining proceeds from the 2019 pledged revenue obligations.

Public safety expenditures—The net decrease of \$12.9 million was largely due to the prior year issuance of \$16.9 million in pledged revenue obligation bonds, the proceeds of which were used to fund the unfunded obligation of the County's pension liabilities through the public safety personnel retirement system.

American Rescue Plan Act

Unearned revenue totaled \$9.8 million at year end as a result of the receipt of monies from the American Rescue Plan Act that were unspent as of year-end.

Health Services Fund

Intergovernmental revenues and related expenditures increased \$3.1 million and \$2.8 million, respectively primarily due additional grants related to the COVID-19 pandemic.

Public Works Fund

Expenditures increased \$2.7 million primarily due to an increase in capital expenditures for various equipment purchases and other renovations.

Gila County

Management's discussion and analysis

Year Ended June 30, 2022

General Fund Budgetary Highlights

General Fund actual expenditures were \$17,806,774 under the adopted budget, and actual revenues were less than estimated revenues by \$16,402,080. The County had budgeted \$12,921,747 for contingency reserve and did not incur any expenditures during the current fiscal year. The Education department (School Superintendent) had budgeted expenditures of \$454,053 while actual expenditures of \$1,491,792 were over budget due to not budgeting for the national forest fees of \$1,017,806 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:

- Computer Services excess of \$266,851 can be attributed to a multi-year telephone system update and network repair and maintenance costs for cybersecurity.
- Child Support Enforcement excess of \$134,281 was due to staffing reassigned to the County Attorney's office.
- School Superintendent over budget expenditure amount of \$1,037,739 was due to the unbudgeted pass-through grants as mentioned above and the securing rural schools transactions that are recorded for financial statement purposes only and were not budgeted.
- Capital Outlay expenditures exceeded the budget by \$677,461 due to cost increases on existing projects and the timing of deliveries.
- The over budget expenditures for the remaining budgeted line items (Finance/Purchasing/Payroll of \$335,546 and Emergency Services including GIS Rural Addressing) of \$64,567 were primarily due to unexpected costs. The County will strive to improve its budgeting procedures and control in the future.

Capital Asset and Debt Administration

Capital assets include land, construction in progress, buildings, machinery and equipment and infrastructure assets (roads, highways, bridges, etc.). The County's total capital assets net of accumulated depreciation increased by \$7 million, or 17 percent, during the current fiscal year in comparison with the prior year's balance of \$41.2 million.

The County's investment in capital assets for its governmental activities as of June 30, 2022, amounts to \$43.6 million (net of accumulated depreciation), a net increase of \$6.6 million, or 17.9 percent, from the prior year.

The County's investment in capital assets for its business-type activities as of June 30, 2022, amounts to \$4.6 million (net of accumulated depreciation), a net increase of \$399,163, or 9.4 percent from the prior year.

Major capital asset activity during the fiscal year included:

Gila County

Management's discussion and analysis

Year Ended June 30, 2022

Governmental Activities:

- Buildings—The net increase of \$8 million was primarily due to the completion of the new animal shelter and County complex in Payson.

Capital Assets at Year-End (Net of Accumulated Depreciation) (in thousands) June 30, 2022 and 2021

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 2,384	\$ 2,384	\$3,000	\$3,000	\$ 5,384	\$ 5,384
Construction in progress	7,201	9,736	1		7,202	9,736
Buildings	18,790	10,763	4	4	18,794	10,767
Improvements other than buildings	604	662	563	599	1,167	1,261
Machinery and equipment	5,077	3,774	852	632	5,929	4,406
Infrastructure	<u>9,515</u>	<u>9,652</u>	<u>214</u>	<u></u>	<u>9,729</u>	<u>9,652</u>
Total capital assets, net	<u>\$43,571</u>	<u>\$36,971</u>	<u>\$4,634</u>	<u>\$4,235</u>	<u>\$48,205</u>	<u>\$41,206</u>

Additional information on the County's capital assets can be found in Note 6 on pages 24 through 25 of this report.

Long-term debt—The County's total long-term liabilities as of June 30, 2022, amounts to \$70.9 million, a net decrease of \$28.4 million during the current fiscal year in comparison with the prior year's balance of \$99.3 million.

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

Governmental Activities:

- Net pension liability—the net decrease of \$27.2 million was a result of the prior year issuance of pension bonds used by the County to fund the PSPRS and CORP unfunded liability.

Business-Type Activities:

- Landfill closure and postclosure care costs payable—an increase of \$272,819 of landfill closure and postclosure care costs liability calculated by the County's contracted engineering specialist.
- Net pension liability—the net decrease of \$218,401 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, 2022 and a measurement date of June 30, 2021.

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 \$33,713,324. 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 26 through 29 of this report.

Gila County

Management's discussion and analysis

Year Ended June 30, 2022

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for Gila County is 4.3 percent at June 2022 which is significantly lower than the previous year's rate of 7.2 percent. The state unemployment rate was 4.0 percent at June 2022. There is an increase in property assessed valuations with no change in tax rate for fiscal year 2022. These economic factors were considered in preparing the County's budget for the fiscal year 2023.

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, 2022

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Assets			
Cash and investments	\$ 38,547,102	\$ 7,568,047	\$ 46,115,149
Receivables (net of allowances for uncollectibles):			
Property taxes	550,173		550,173
Accounts	569,871	135,975	705,846
Interest	76,370	14,580	90,950
Internal balances	40,526	(40,526)	-
Due from other governments	6,290,613		6,290,613
Prepaid items	60,595		60,595
Inventories	151,876		151,876
Restricted cash and investments		5,674,940	5,674,940
Net other postemployment benefits asset	6,869,727	20,967	6,890,694
Capital assets, not being depreciated	9,586,160	3,000,975	12,587,135
Capital assets, being depreciated, net	<u>33,985,422</u>	<u>1,633,020</u>	<u>35,618,442</u>
Total assets	<u>96,728,435</u>	<u>18,007,978</u>	<u>114,736,413</u>
Deferred outflows of resources			
Deferred outflows related to pensions and OPEB	<u>8,712,897</u>	<u>149,148</u>	<u>8,862,045</u>
Liabilities			
Accounts payable	1,325,949	80,658	1,406,607
Accrued payroll and employee benefits	1,316,321	34,115	1,350,436
Due to other governments	9,735		9,735
Deposits held for others	6,139		6,139
Unearned revenue	10,194,328		10,194,328
Noncurrent liabilities:			
Due within one year	3,171,505	117,201	3,288,706
Due in more than one year	<u>62,518,211</u>	<u>5,052,541</u>	<u>67,570,752</u>
Total liabilities	<u>78,542,188</u>	<u>5,284,515</u>	<u>83,826,703</u>
Deferred inflows of resources			
Deferred inflows related to pensions and OPEB	<u>14,341,083</u>	<u>216,966</u>	<u>14,558,049</u>
Net position			
Net investment in capital assets	29,164,966	4,490,376	33,655,342
Restricted for:			
Public safety	123,953		123,953
Highways and streets	13,499,594		13,499,594
Health services	2,697,171		2,697,171
Judicial activities	3,729,904		3,729,904
Law enforcement	2,256,138		2,256,138
Education	2,122,933		2,122,933
Sanitation	237,945		237,945
Social services	322,367		322,367
Library	900,873		900,873
Street lighting improvement	22,827		22,827
Other purposes	1,071,818		1,071,818
Landfill closure and postclosure care costs		5,674,940	5,674,940
Unrestricted	<u>(43,592,428)</u>	<u>2,490,329</u>	<u>(41,102,099)</u>
Total net position	<u>\$ 12,558,061</u>	<u>\$ 12,655,645</u>	<u>\$ 25,213,706</u>

See accompanying notes to financial statements.

Gila County
Statement of activities
Year ended June 30, 2022

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government		
					Governmental activities	Business-type activities	Total
Governmental activities							
General government	\$ 25,801,173	\$ 2,519,380	\$ 1,681,515	\$ (21,600,278)			\$ (21,600,278)
Public safety	23,913,803	424,322	10,378,668	(13,110,813)			(13,110,813)
Highways and streets	6,275,420	17,891	28,441	251,756			251,756
Health	7,161,411	535,035	5,682,474	(943,902)			(943,902)
Welfare	6,935,240	101,323	2,238,775	(4,595,142)			(4,595,142)
Sanitation	165,827		187,228	21,401			21,401
Culture and recreation	1,312,212		154,199	(1,158,013)			(1,158,013)
Education	2,260,183	28,134	1,865,502	(366,547)			(366,547)
Interest on long-term debt	814,569			(814,569)			(814,569)
Total governmental activities	<u>74,639,838</u>	<u>3,626,085</u>	<u>22,216,802</u>	<u>6,480,844</u>	<u>(42,316,107)</u>		<u>(42,316,107)</u>
Business-type activities							
Landfill	1,965,801	2,711,024				\$ 745,223	745,223
Total business-type activities	<u>1,965,801</u>	<u>2,711,024</u>				<u>745,223</u>	<u>745,223</u>
Total primary government	<u>\$ 76,605,639</u>	<u>\$ 6,337,109</u>	<u>\$ 22,216,802</u>	<u>\$ 6,480,844</u>	<u>(42,316,107)</u>	<u>745,223</u>	<u>(41,570,884)</u>
General revenues							
Taxes:							
Property taxes, levied for general purposes				23,875,218			23,875,218
Property taxes, levied for street lighting districts				49,227			49,227
Property taxes, levied for library district				1,364,070			1,364,070
County excise tax for general purpose				4,352,501			4,352,501
County excise tax for transportation purpose				2,032,370			2,032,370
Shared revenue—state sales tax				8,629,771			8,629,771
Shared revenue—state vehicle license tax				2,233,212			2,233,212
State appropriations				550,050			550,050
Shared revenue—state liquor license tax				12,206			12,206
Payments in lieu of taxes				3,962,165			3,962,165
Investment income				(981,863)		(170,779)	(1,152,642)
Miscellaneous				1,520,903			1,520,903
Total general revenues				<u>47,599,830</u>		<u>(170,779)</u>	<u>47,429,051</u>
Change in net position				5,283,723		574,444	5,858,167
Net position, July 1, 2021				7,274,338		12,081,201	19,355,539
Net position, June 30, 2022				<u>\$ 12,558,061</u>		<u>\$ 12,655,645</u>	<u>\$ 25,213,706</u>

See accompanying notes to financial statements.

Gila County
Balance sheet
Governmental funds
June 30, 2022

	<u>General Fund</u>	<u>American Rescue Plan Act</u>	<u>Health Services Fund</u>	<u>Public Works Fund</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
Assets						
Cash and investments	\$ 9,099,258	\$ 9,449,305		\$ 12,640,691	\$ 7,357,848	\$ 38,547,102
Receivables (net of allowances for uncollectibles):						
Property taxes	517,876				32,297	550,173
Accounts	284,610		\$ 119,450	3,429	162,382	569,871
Interest	16,153	18,648		24,585	16,984	76,370
Due from other funds	2,489,921			43,874	63,689	2,597,484
Due from other governments	2,290,117		2,171,088	917,734	911,674	6,290,613
Prepaid items		48,286	12,309			60,595
Inventories	151,876					151,876
Total assets	<u>14,849,811</u>	<u>9,516,239</u>	<u>2,302,847</u>	<u>13,630,313</u>	<u>8,544,874</u>	<u>48,844,084</u>
Liabilities						
Accounts payable	849,929		39,885	45,227	390,908	1,325,949
Accrued payroll and employee benefits	875,146		117,932	130,320	192,923	1,316,321
Due to:						
Other funds	109,177		2,280,836	71,079	95,866	2,556,958
Other governments					9,735	9,735
Deposits held for others	6,139					6,139
Unearned revenue	408,968	9,785,360				10,194,328
Total liabilities	<u>2,249,359</u>	<u>9,785,360</u>	<u>2,438,653</u>	<u>246,626</u>	<u>689,432</u>	<u>15,409,430</u>
Deferred inflows of resources						
Unavailable revenue—property taxes	366,166				24,017	390,183
Unavailable revenue—intergovernmental			1,887,834		39,574	1,927,408
Unavailable revenue—miscellaneous	238,209				15,995	254,204
Total deferred inflows of resources	<u>604,375</u>		<u>1,887,834</u>		<u>79,586</u>	<u>2,571,795</u>
Fund balances						
Nonspendable	151,876	48,286	12,309			212,471
Restricted			797,028	13,499,594	10,319,087	24,615,709
Assigned	16,357,127					16,357,127
Unassigned	(4,512,926)	(317,407)	(2,832,977)	(115,907)	(2,543,231)	(10,322,448)
Total fund balances	<u>11,996,077</u>	<u>(269,121)</u>	<u>(2,023,640)</u>	<u>13,383,687</u>	<u>7,775,856</u>	<u>30,862,859</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 14,849,811</u>	 <u>\$ 9,516,239</u>	 <u>\$ 2,302,847</u>	 <u>\$ 13,630,313</u>	 <u>\$ 8,544,874</u>	 <u>\$ 48,844,084</u>

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, 2022

Fund balances—total governmental funds	\$ 30,862,859
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.	43,571,582
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	2,571,795
Net OPEB assets held in trust for future benefits are not available for County operations and, therefore, are not reported in the funds.	6,869,727
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.	(65,689,716)
Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future reporting periods and, therefore, are not reported in the funds.	<u>(5,628,186)</u>
Net position of governmental activities	<u>\$ 12,558,061</u>

See accompanying notes to financial statements.

Gila County
Statement of revenues, expenditures, and changes in fund balances
Governmental funds
Year ended June 30, 2022

	<u>General Fund</u>	<u>American Rescue Plan Act</u>	<u>Health Services Fund</u>	<u>Public Works Fund</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
Revenues:						
Taxes	\$ 28,242,871			\$ 2,032,370	\$ 1,400,990	\$ 31,676,231
Licenses and permits	636,166		\$ 419,826	11,634		1,067,626
Intergovernmental	17,421,491	\$ 707,003	4,874,452	6,480,844	13,250,388	42,734,178
Charges for services	1,413,011		115,209	5,911	685,990	2,220,121
Fines and forfeits	336,033			346	63,598	399,977
Donations and contributions	118		21,043		305,575	326,736
Investment income	(175,889)	(269,121)		(288,716)	(248,137)	(981,863)
Miscellaneous	465,745		495,490	83,654	373,471	1,418,360
Total revenues	<u>48,339,546</u>	<u>437,882</u>	<u>5,926,020</u>	<u>8,326,043</u>	<u>15,831,875</u>	<u>78,861,366</u>
Expenditures:						
Current:						
General government	27,268,916	631,385			1,831,467	29,731,768
Public safety	15,356,126				9,171,077	24,527,203
Highways and streets	778,373			8,883,632	52,711	9,714,716
Health			7,320,723			7,320,723
Welfare	4,363,528				2,582,024	6,945,552
Sanitation					109,640	109,640
Culture and recreation		75,618			1,209,492	1,285,110
Education	1,494,114				837,330	2,331,444
Debt service:						
Principal retirement	1,219,358			20,973		1,240,331
Interest and other charges	895,918			8,906		904,824
Total expenditures	<u>51,376,333</u>	<u>707,003</u>	<u>7,320,723</u>	<u>8,913,511</u>	<u>15,793,741</u>	<u>84,111,311</u>
Excess (deficiency) of revenues over expenditures	<u>(3,036,787)</u>	<u>(269,121)</u>	<u>(1,394,703)</u>	<u>(587,468)</u>	<u>38,134</u>	<u>(5,249,945)</u>
Other financing sources (uses):						
Transfers in				1,000,000	63,689	1,063,689
Transfers out	(1,063,689)					(1,063,689)
Total other financing sources (uses)	<u>(1,063,689)</u>			<u>1,000,000</u>	<u>63,689</u>	
Net change in fund balances	(4,100,476)	(269,121)	(1,394,703)	412,532	101,823	(5,249,945)
Fund balances (deficits), July 1, 2021	16,047,908		(628,937)	12,971,155	7,674,033	36,064,159
Increase in reserve for inventories	48,645					48,645
Fund balances (deficits), June 30, 2022	<u>\$ 11,996,077</u>	<u>\$ (269,121)</u>	<u>\$ (2,023,640)</u>	<u>\$ 13,383,687</u>	<u>\$ 7,775,856</u>	<u>\$ 30,862,859</u>

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, 2022

Net change in fund balances—total governmental funds		\$ (5,249,945)
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	9,832,116	
Depreciation expense	<u>(3,231,769)</u>	6,600,347
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	1,219,358	
Financed purchase contracts principal repaid	<u>20,973</u>	1,330,586
County pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension/OPEB liability is measured a year before the County's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the statement of activities.		
County pension/OPEB contributions	3,773,239	
Pension/OPEB expense	<u>(2,141,887)</u>	1,631,352
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		(139,457)
Collections of revenues in the governmental funds exceeded revenues reported in the statement of activities		
Property taxes	(2,845)	
Miscellaneous revenue	<u>(61,639)</u>	(64,484)
Some revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		
Intergovernmental	824,231	
Miscellaneous	102,543	
EORP subsidy	<u>199,905</u>	1,126,679
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		<u>48,645</u>
Change in net position of governmental activities		<u>\$ 5,283,723</u>

See accompanying notes to financial statements.

Gila County
Statement of net position
Proprietary fund
June 30, 2022

	Business-type activities— enterprise fund landfill
Assets	
Current assets:	
Cash and investments	\$ 7,568,047
Accounts receivable	135,975
Interest receivable	14,580
Due from other funds	<u>1,614</u>
Total current assets	<u>7,720,216</u>
Noncurrent assets:	
Restricted cash and investments	5,674,940
Capital assets:	
Nondepreciable	3,000,975
Depreciable, net	1,633,020
Net other postemployment benefits asset	<u>20,967</u>
Total noncurrent assets	<u>10,329,902</u>
Total assets	<u>18,050,118</u>
 Deferred outflows of resources	
Deferred outflows related to pensions and other postemployment benefits	<u>149,148</u>
 Liabilities	
Current liabilities:	
Accounts payable	80,658
Accrued payroll and employee benefits	34,115
Financed purchases payable	85,176
Due to other funds	<u>42,140</u>
Total current liabilities	<u>242,089</u>
Noncurrent liabilities:	
Financed purchases payable	58,443
Landfill closure and postclosure care costs payable	4,409,499
Compensated absences payable	38,478
Net pension liability	<u>578,146</u>
Total noncurrent liabilities	<u>5,084,566</u>
Total liabilities	<u>5,326,655</u>
 Deferred inflows of resources	
Deferred inflows related to pensions and other postemployment benefits	<u>216,966</u>
 Net position	
Net investment in capital assets	4,490,376
Restricted for landfill closure and postclosure care costs	5,674,940
Unrestricted	<u>2,490,329</u>
Total net position	<u>\$ 12,655,645</u>

See accompanying notes to financial statements.

Gila County

Statement of revenues, expenses, and changes in fund net position

Proprietary fund

Year ended June 30, 2022

	Business-type activities— enterprise fund landfill
Operating revenues:	
Charges for services	\$ 2,646,985
Other	<u>64,039</u>
Total operating revenues	<u>2,711,024</u>
Operating expenses:	
Personal services	758,918
Professional services	108,883
Supplies	217,253
Utilities	9,906
Repairs and maintenance	414,196
Landfill closure and postclosure care costs	272,819
Depreciation	106,388
Other	<u>77,438</u>
Total operating expenses	<u>1,965,801</u>
Operating income	745,223
Nonoperating revenues	
Investment income	<u>(170,779)</u>
Total nonoperating revenues	<u>(170,779)</u>
Increase in net position	574,444
Net position, July 1, 2021	<u>12,081,201</u>
Net position, June 30, 2022	<u>\$ 12,655,645</u>

See accompanying notes to financial statements.

Gila County
Statement of cash flows
Proprietary fund
Year ended June 30, 2022

	Business-type activities— enterprise fund landfill
Cash flows from operating activities	
Receipts from customers	\$ 2,657,123
Payments to suppliers and providers of goods and services	(764,314)
Payments to employee wages and benefits	<u>(777,027)</u>
Net cash provided by operating activities	<u>1,115,782</u>
Cash flows from capital and related financing activities	
Purchases of capital assets	(505,551)
Principal and other charges on financed purchase contracts	<u>(82,225)</u>
Net cash used for capital and related financing activities	<u>(587,776)</u>
Cash flows from investing activities	
Investment loss	<u>(166,831)</u>
Net cash used for investing activities	<u>(166,831)</u>
Net increase in cash and cash equivalents	361,175
Cash and cash equivalents, July 1, 2021	<u>12,881,812</u>
Cash and cash equivalents, June 30, 2022	<u>\$13,242,987</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 745,223
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	106,388
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Due from other funds	139
Accounts receivable	(53,901)
Net other postemployment benefits asset	(17,930)
Deferred outflows of resources related to pensions and other postemployment benefits	886
Net pension liability	(218,401)
Deferred inflows of resources related to pensions and other postemployment benefits	200,839
Accounts payable	39,703
Accrued payroll and employee benefits	4,633
Due to other funds	23,520
Compensated absences payable	11,864
Landfill closure and postclosure care costs payable	<u>272,819</u>
Net cash provided by operating activities	<u>\$ 1,115,782</u>

See accompanying notes to financial statements.

Gila County
Statement of cash flows
Proprietary fund
Year ended June 30, 2022

Noncash Investing, Capital and Noncapital Financing Activities:

Landfill closure and postclosure care costs expense	\$ 272,819
Landfill closure and postclosure care costs payable	(272,819)
Personal services expense	(34,606)
Deferred inflows of resources related to pension and other postemployment benefits	(200,839)
Deferred outflows of resources related to pension and other postemployment benefits	(886)
Net other postemployment benefits asset	<u>17,930</u>
Net pension and other postemployment benefits liabilities	<u>\$ 218,401</u>

See accompanying notes to financial statements.

Gila County
Statement of fiduciary net position
Fiduciary funds
June 30, 2022

	<u>Private- purpose trust funds</u>	<u>Custodial funds</u>	
		<u>External investment pool</u>	<u>Other</u>
Assets			
Cash and investments	\$ 312,484	\$ 69,208,931	\$ 1,862,826
Taxes receivable for other governments			69,293
Interest and dividends receivable		127,903	1,525
Total assets	<u>\$ 312,484</u>	<u>\$ 69,336,834</u>	<u>\$ 1,933,644</u>
Net position			
Restricted for:			
Pool participants		\$ 69,336,834	
Individuals, organizations, and other governments	<u>\$ 312,484</u>		<u>\$ 1,933,644</u>
Total net position	<u>\$ 312,484</u>	<u>\$ 69,336,834</u>	<u>\$ 1,933,644</u>

See accompanying notes to financial statements.

Gila County
Statement of changes in fiduciary net position
Fiduciary funds
Year ended June 30, 2022

	Private- purpose trust funds	Custodial funds	
		External investment pool	Other
Additions:			
Contributions from pool participants		\$142,768,945	
Property tax collections for other governments			\$5,350,612
Fines and fees collected for other governments			1,330,341
Collections for individuals			1,496,523
Net investment earnings:			
Investment earnings	\$ 122	428,406	1,496
Investment costs		(2,003,075)	(23,507)
Net investment earnings	<u>122</u>	<u>(1,574,669)</u>	<u>(22,011)</u>
Inmate collections			535,922
Other	<u>1,008,647</u>		
Total additions	<u>1,008,769</u>	<u>141,194,276</u>	<u>8,691,387</u>
Deductions:			
Distributions to pool participants		130,553,213	
Property tax distributions to other governments			5,282,525
Fines and fees distributions to other governments			812,738
Distributions to individuals			1,574,572
Payments to inmates			481,682
Other	<u>1,102,743</u>		
Total deductions	<u>1,102,743</u>	<u>130,553,213</u>	<u>8,151,517</u>
Net increase (decrease) in fiduciary net position	(93,974)	10,641,063	539,870
Net position, July 1, 2021	<u>406,458</u>	<u>58,695,771</u>	<u>1,393,774</u>
Net position, June 30, 2022	<u>\$ 312,484</u>	<u>\$ 69,336,834</u>	<u>\$ 1,933,644</u>

See accompanying notes to financial statements.

Gila County
Notes to financial statements
June 30, 2022

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, 2022, the County implemented the provisions of GASB Statement No. 87, *Leases*, as amended, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The County’s analysis of contracts and agreements in effect at the beginning of the year resulted in no changes to beginning balances reported in the financial statements due to the implementation of this 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.

Gila County

Notes to financial statements

June 30, 2022

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.

Gila County

Notes to financial statements

June 30, 2022

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 *Health Services Fund* accounts for public health and emergency preparedness. It is funded through various grants.

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

Gila County

Notes to financial statements

June 30, 2022

reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under lease contracts 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 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 methods, and estimated useful lives of capital assets are as follows:

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Notes to financial statements
June 30, 2022

	Capitalization threshold	Depreciation 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
Right-to-use lease assets	75,000	Straight-line	Varies

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.

Gila County

Notes to financial statements

June 30, 2022

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. Miscellaneous Disclosures

Pursuant to A.R.S. 35-391(B) the County shall disclose in its annual financial report the amount of any reward, discount, incentive, or other financial consideration received by the governmental entity resulting from credit card payments. The County received \$38,825 in card rebates during calendar year 2022.

Gila County
Notes to financial statements
June 30, 2022

N. 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.

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, 2022:

Fund	Deficit
Non-Major Governmental Funds:	
Emergency Response	\$458,594
Diversion Program CA	357,516
Housing	336,147
Attorney's Justice Enhancement	208,984
Superior & JP Crts Security	200,039
Aid to Indigent Defense	176,289
Drug Prosecution Grant 16.738	148,281
Homeland Sec 14 Sheriff 97.067	92,502
A G Victim Rights	81,544
Conciliation Court Fund	74,942
Field Trainer	72,947
@Narcotics Task Force	54,391
Law Library Fund	50,343
Crime Victim Assistance Prog	46,858
Local Probate Assessment Fee	34,027
DES Community Action Program	23,965
AMERICORPS - Probation	21,783
Claypool/Lower Miami SLID	17,121
Child Support Incentive - Family	16,389
Drug Gang Violent Crime Probation	12,242
EECO	12,000
State Aid Enhancement	9,780
E-Rate	8,792
Court Appointed Spec Advocate	7,005
Juvenile Standards Probation	4,863
Arizona Lengthy Trial Fund	3,388
GOHS - DUI ENFORCEMENT EQUIPMENT	3,234

Gila County
Notes to financial statements
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Fund	Deficit
Gila County Sheriff K9	2,191
CASA - Globe	1,942
Children's Issues Education	1,564
IV D Incentive/SSRE 93.563	1,445

In fiscal year 2022, the County's budget included \$5,740,050 in additional PILT for public land counties. This appropriation was delayed pending the congressional appropriation formula and approval resulting in Local Assistance and Tribal Consistency Fund (LATCF) disbursements that will be made in the next fiscal year. The existing deficit fund balances arising from COVID-19 and timing of receipts will be alleviated in the 2023 fiscal year upon receipt of the LATCF disbursements.

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.

Gila County
Notes to financial statements
June 30, 2022

Foreign currency risk

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

Deposits—At June 30, 2022, the carrying amount of the County’s deposits was \$27,397,780 and the bank balance was \$28,770,786. The County does not have a formal policy related to custodial credit risk for deposits.

Investments—The County had total investments of \$95,770,550 at June 30, 2022. The County categorizes certain investments measured at fair value within the fair value hierarchy established by generally accepted accounting principles, as follows:

Investments by fair value level type	Amount	Fair value measurement using Quoted prices in active markets for identical assets (Level 1)
U.S. Treasury securities	\$ 6,790,000	\$ 6,790,000
U.S. agency securities	44,466,347	44,466,347
Corporate bonds	<u>44,514,203</u>	<u>44,514,203</u>
Total investments categorized by fair value level	<u>\$95,770,550</u>	<u>\$95,770,550</u>

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, 2022, credit risk for the County’s investments was as follows:

Investment type	Rating	Rating agency	Amount
U.S. agency securities	Aaa	Moody’s	\$44,466,347
Corporate bonds	Aa1	Moody’s	6,873,330
Corporate bonds	Aa2	Moody’s	11,889,250
Corporate bonds	Aa3	Moody’s	5,000,000
Corporate bonds	A1	Moody’s	9,151,915
Corporate bonds	A2	Moody’s	6,858,053
Corporate bonds	A3	Moody’s	<u>4,741,655</u>
			<u>\$88,980,550</u>

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. At June 30, 2022, the County did not have investments exposed to custodial credit risk.

Gila County
Notes to financial statements
June 30, 2022

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, 2022, representing 5 percent or more of the County’s total investments as follows:

Investment	Percent
Federal Home Loan Bank	36.38%
Federal Home Loan Mortgage	10.05%
Royal Bank	7.18%
U.S. Treasury securities	7.09%
Canadian Imperial	6.17%
Credit Agricole	5.22%

Interest rate risk—The County does not have a formal investment policy with respect to interest rate risk. At June 30, 2022, the County had the following investments in debt securities:

Investment type	Amount	Weighted average maturity (years)
U.S. agency securities	\$44,466,347	2.22
U.S. Treasury securities	6,790,000	1.08
Corporate bonds	<u>44,514,203</u>	1.40
Total	<u>\$95,770,550</u>	

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	27,397,780
Amount of investments	<u>95,770,550</u>
Total	<u>\$123,174,330</u>

Statement of net position

	Governmental activities	Business-type activities	Private-purpose trust funds	Custodial funds		Total
				External investment pools	Other	
Cash, and investments	\$38,547,102	\$ 7,568,047	\$312,484	\$69,208,931	\$1,862,826	\$117,499,390
Cash and investments held by trustee—restricted		<u>5,674,940</u>				<u>5,674,940</u>
Total	<u>\$38,547,102</u>	<u>\$13,242,987</u>	<u>\$312,484</u>	<u>\$69,208,931</u>	<u>\$1,862,826</u>	<u>\$123,174,330</u>

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,

Gila County
Notes to financial statements
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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 \$1,991,044 in deposits and \$5,674,940 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	\$46,950,000	0.32%-1.05%	11/23-2/25	\$44,466,347
U.S. Treasury securities	7,000,000	0.13%	07/23	6,790,000
Corporate bonds	<u>45,266,000</u>	0.32%-4.05%	07/22-05/25	<u>44,514,203</u>
	<u>\$99,216,000</u>			<u>\$95,770,550</u>

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

Statement of fiduciary net position

Assets	<u>\$115,728,723</u>
Net position	<u>\$115,728,723</u>
Net position held for:	
Internal participants	\$ 45,607,388
External participants	<u>70,121,335</u>
Total net position	<u>\$115,728,723</u>

Statement of changes in fiduciary net position

Total additions	\$239,206,091
Total deductions	<u>225,307,092</u>
Net increase	<u>13,898,999</u>
Net position:	
July 1, 2021	<u>101,829,724</u>
June 30, 2022	<u>\$115,728,723</u>

Gila County
Notes to financial statements
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Note 5 – Due from other governments

Amounts due from other governments at June 30, 2022, are shown as follows:

	General Fund	Health Services Fund	Public Works Fund	Other Governmental Funds	Total
State-shared sales tax	\$ 996,409				\$ 996,409
County excise tax	771,894		\$359,620		1,131,514
State-shared vehicle license tax	83,306		51,349		134,655
Highway user revenue			506,765		506,765
Grants and contributions from local, state, and federal governments	353,312	\$2,171,088		\$906,742	3,431,142
Reimbursements for goods or services provided for governmental units	85,196				85,196
Miscellaneous				4,932	4,932
Total	<u>\$2,290,117</u>	<u>\$2,171,088</u>	<u>\$917,734</u>	<u>\$911,674</u>	<u>\$6,290,613</u>

Note 6 - Capital assets

Capital asset activity for the year ended June 30, 2022, was as follows:

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,383,625			\$ 2,383,625
Construction in progress	<u>9,736,101</u>	<u>\$ 7,310,843</u>	<u>\$9,844,409</u>	<u>7,202,535</u>
Total capital assets not being depreciated	<u>12,119,726</u>	<u>7,310,843</u>	<u>9,844,409</u>	<u>9,586,160</u>
Capital assets being depreciated:				
Buildings	26,247,826	9,206,098		35,453,924
Improvements other than buildings	1,459,569	12,240		1,471,809
Machinery and equipment	29,329,816	2,509,033	475,097	31,363,752
Infrastructure	<u>22,898,397</u>	<u>638,311</u>		<u>23,536,708</u>
Total capital assets being depreciated	<u>79,935,608</u>	<u>12,365,682</u>	<u>475,097</u>	<u>91,826,193</u>
Less accumulated depreciation for:				
Buildings	15,484,404	1,179,933		16,664,337
Improvements other than buildings	797,346	70,121		867,467
Machinery and equipment	25,555,890	1,206,704	475,097	26,287,497
Infrastructure	<u>13,246,459</u>	<u>775,011</u>		<u>14,021,470</u>
Total accumulated depreciation	<u>55,084,099</u>	<u>3,231,769</u>	<u>475,097</u>	<u>57,840,771</u>
Total capital assets being depreciated, net	<u>24,851,509</u>	<u>9,133,913</u>		<u>33,985,422</u>
Governmental activities, capital assets, net	<u>\$36,971,235</u>	<u>\$16,444,756</u>	<u>\$9,844,409</u>	<u>\$43,571,582</u>

Gila County
Notes to financial statements
June 30, 2022

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 3,000,000			\$ 3,000,000
Construction in progress		\$ 975		975
Total capital assets not being depreciated	<u>3,000,000</u>	<u>975</u>		<u>3,000,975</u>
Capital assets being depreciated:				
Buildings	5,172			5,172
Improvements other than buildings	698,399			698,399
Machinery and equipment	3,621,960	290,707		3,912,667
Infrastructure	<u>169,340</u>	<u>213,869</u>		<u>383,209</u>
Total capital assets being depreciated	<u>4,494,871</u>	<u>504,576</u>		<u>4,999,447</u>
Less accumulated depreciation for:				
Buildings	905	517		1,422
Improvements other than buildings	99,352	35,890		135,242
Machinery and equipment	2,990,442	69,767		3,060,209
Infrastructure	<u>169,340</u>	<u>214</u>		<u>169,554</u>
Total accumulated depreciation	<u>3,260,039</u>	<u>106,388</u>		<u>3,366,427</u>
Total capital assets being depreciated, net	<u>1,234,832</u>	<u>398,188</u>		<u>1,633,020</u>
Business-type activities, capital assets, net	<u>\$ 4,234,832</u>	<u>\$ 399,163</u>		<u>\$ 4,633,995</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$1,155,229
Public safety	422,471
Highways and streets	1,453,071
Health	115,004
Welfare	20,770
Sanitation	11,294
Culture and recreation	52,809
Education	<u>1,121</u>
Total governmental activities depreciation expense	<u>\$3,231,769</u>
Business-type activities:	
Sanitation	<u>\$ 106,388</u>

Note 7 – Construction and other commitments

The County had major contractual commitments related to various capital projects at June 30, 2022, for the construction of Tonto Creek Bridge and the improvements to other bridges and roads. At June 30, 2022, the County had spent \$11,506,697 on these projects and had remaining contractual commitments with contractors of \$27.7 million. These projects are being financed by transportation excise tax, General Fund and state and federal grants.

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Note 8 - Long-term liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2022:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due within 1 year
Governmental activities					
Pledged revenue obligations payable	\$29,791,257		\$ 1,219,358	\$28,571,899	\$1,283,794
Revenue obligations premium payable	1,624,580		90,255	1,534,325	90,255
Financed purchases	176,365		20,973	155,392	22,032
Net pension and other postemployment benefits liability	60,822,221		27,196,806	33,625,415	
Compensated absences payable	<u>1,663,228</u>	<u>\$1,888,157</u>	<u>1,748,700</u>	<u>1,802,685</u>	<u>1,775,424</u>
Total governmental activities long-term liabilities	<u>\$94,077,651</u>	<u>\$1,888,157</u>	<u>\$30,276,092</u>	<u>\$65,689,716</u>	<u>\$3,171,505</u>
Business-type activities					
Financed purchases	\$ 225,844		\$ 82,225	\$ 143,619	\$ 85,176
Net pension and other postemployment benefits liability	796,547		218,401	578,146	
Compensated absences payable	26,614	\$ 40,684	28,820	38,478	32,025
Landfill closure and postclosure care costs payable	<u>4,136,680</u>	<u>272,819</u>	<u> </u>	<u>4,409,499</u>	<u> </u>
Total business-type activities long-term liabilities	<u>\$ 5,185,685</u>	<u>\$ 313,503</u>	<u>\$ 329,446</u>	<u>\$ 5,169,742</u>	<u>\$ 117,201</u>

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

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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, 2022:

Description	Original amount issued	Interest rates	Maturities	Outstanding June 30, 2022
Gila County Pledged Revenue Obligations, Series 2015	\$ 2,000,000	0.530-2.70%	2023-2025	\$ 641,899
Gila County Pledged Revenue and Pledged Revenue Refunding Obligations, Series 2019	13,220,000	2.00-5.00%	2023-2039	12,075,000
Gila County Pledged Revenue Obligations, Series 2020	16,855,000	0.505-3.222%	2023-2039	<u>15,855,000</u>
Total				<u>\$28,571,899</u>

The following schedule details debt service requirements to maturity for the County's pledged revenue and pledged revenue refunding obligations payable at June 30, 2022:

Year ending June 30	Governmental activities	
	Principal	Interest
2023	\$ 1,283,794	\$ 876,728
2024	1,403,805	855,608
2025	1,429,300	834,076
2026	1,460,000	803,334
2027	1,500,000	765,471
2028-2032	8,200,000	3,099,236
2033-2037	9,600,000	1,702,648
2038-2040	<u>3,695,000</u>	<u>192,667</u>
	<u>\$28,571,899</u>	<u>\$9,129,768</u>

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, 2022. At June 30, 2022, future pledged revenues through final maturity at July 1, 2039, totaled \$37,701,667, consisting of \$28,571,899 for principal and \$9,129,768 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 \$2,111,676 and \$12,379,152, 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, 2022:

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Year ending June 30:	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 22,032	\$ 7,847	\$ 85,176	\$5,170
2024	23,145	6,735	58,443	2,106
2025	24,313	5,566		
2026	<u>85,902</u>	<u>4,338</u>		
Total	<u>\$155,392</u>	<u>\$24,486</u>	<u>\$143,619</u>	<u>\$7,276</u>

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

The amount recognized each year is based on landfill capacity used at the end of each fiscal year. The \$4,409,499 reported as landfill closure and postclosure care liability at June 30, 2022, represents the cumulative amount reported to date based on the approximate use of 76 percent of the estimated capacity of the Buckhead Mesa Landfill and 80 percent of the Russell Gulch Landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$1,265,257 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 2022.

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 Code of Federal Regulations (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”.

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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, 2022, the County paid for compensated absences as follows: 62 percent from the General Fund, 2 percent from the American Rescue Plan Act Fund, 8 percent from the Health Services Fund, 8 percent from the Public Works Fund, 1 percent from the Landfill Fund, and 19 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, 2022, were as follows:

	General Fund	American Rescue Plan Act Fund	Health Services Fund	Public Works Fund	Other Governmental Funds	Total
Fund balances:						
Nonspendable:						
Prepaid items		\$ 48,286	\$ 12,309			\$ 60,595
Inventories	\$ 151,876					151,876
Total nonspendable	<u>151,876</u>	<u>48,286</u>	<u>12,309</u>			<u>212,471</u>
Restricted for:						
Public safety					\$ 84,379	84,379
Highways and streets				\$13,499,594		13,499,594
Health services			797,028			797,028
Judicial activities					3,729,904	3,729,904
Law enforcement					2,256,138	2,256,138
Education					2,122,933	2,122,933
Sanitation					237,945	237,945
Social services					322,367	322,367
Library					879,569	879,569
Street lighting improvement					20,114	20,114
Capital projects					491,429	491,429
Other purposes					<u>174,309</u>	<u>174,309</u>
Total restricted			<u>797,028</u>	<u>13,499,594</u>	<u>10,319,087</u>	<u>24,615,709</u>
Assigned to:						
Contingency reserve	15,000,000					15,000,000
Education	3,599					3,599
Other purposes	<u>1,353,528</u>					<u>1,353,528</u>
Total assigned	<u>16,357,127</u>					<u>16,357,127</u>
Unassigned	<u>(4,512,926)</u>	<u>(317,407)</u>	<u>(2,832,977)</u>	<u>(115,907)</u>	<u>(2,543,231)</u>	<u>(10,322,448)</u>
Total fund balances	<u>\$11,996,077</u>	<u>\$(269,121)</u>	<u>\$(2,023,640)</u>	<u>\$13,383,687</u>	<u>\$ 7,775,856</u>	<u>\$ 30,862,859</u>

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Note 10 - 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 11 - Pension and other postemployment benefits

The County contributes to the pension plans described below which are component units of the State of Arizona. The County also contributes to various other postemployment benefits (OPEB) plans. At June 30, 2022, the County reported the following aggregate amounts related to pensions and OPEB for all plans to which it contributes:

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Statement of net position and statement of activities	Governmental activities	Business-type activities	Total
Net OPEB asset	\$ 6,869,727	\$ 20,967	\$ 6,890,694
Net pension and OPEB liabilities	33,625,415	578,146	34,203,561
Deferred outflows of resources related to pensions and OPEB	8,712,897	149,148	8,862,045
Deferred inflows of resources related to pensions and OPEB	14,341,083	216,966	14,558,049
Pension and OPEB expenses	2,141,887	27,358	2,169,245

The County’s accrued payroll and employee benefits includes \$138,910 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2022. Also, the County reported \$3,773,239 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

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

A. Arizona State Retirement System

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

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

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

* With actuarially reduced benefits.

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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, 2022, statute required active ASRS members to contribute at the actuarially determined rate of 12.22 percent for retirement of the members' annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 12.01 percent for retirement, of the active members' annual covered payroll. In addition, the County was required by statute to contribute at the actuarially determined rate of 10.13 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, 2022, were \$2,389,612.

During fiscal year 2022, the County paid for ASRS pension contributions as follows: 60 percent from the General Fund, 2 percent from the American Rescue Plan Act Fund, 12 percent from the Health Services Fund, 11 percent from the Public Works Fund, 12 percent from other governmental funds, and 3 percent from the Landfill Fund.

Pension liability—At June 30, 2022, the County reported a net pension liability of \$22,201,908 for its proportionate share of the ASRS' net pension liability. The liability was measured as of June 30, 2021. The total liability used to calculate the net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2020, to the measurement date of June 30, 2021. The total liability as of June 30, 2021, reflects changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2020, including decreasing the discount rate from 7.5 percent to 7.0 percent and changing the projected salary increases from 2.7–7.2 percent to 2.9–8.4 percent.

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, 2021. The County's proportion measured as of June 30, 2021, was 0.169335 percent, which was a decrease of 0.003935 from its proportion measured as of June 30, 2020.

Pension expense and deferred outflows/inflows of resources—For the year ended June 30, 2022, the County recognized pension expense for ASRS of \$1,896,614. At June 30, 2022, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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ASRS	Pension	
	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 338,448	
Changes of assumptions or other inputs	2,889,756	
Net difference between projected and actual earnings on pension plan investments		\$7,034,345
Changes in proportion and differences between county contributions and proportionate share of contributions	58,720	624,302
County contributions subsequent to the measurement date	<u>2,389,612</u>	
Total	<u>\$5,676,536</u>	<u>\$7,658,647</u>

The \$2,389,612 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, 2023. 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	
2023	\$ (292,975)
2024	(103,947)
2025	(1,550,713)
2026	(2,424,088)

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

ASRS	
Actuarial valuation date	June 30, 2020
Actuarial roll forward date	June 30, 2021
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9–8.4%
Inflation	2.3%
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the 5-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 and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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ASRS Asset class	Target allocation	Long-term expected geometric real rate of return
Equity	50%	4.90%
Fixed income-credit	20%	5.20%
Fixed income-interest rate sensitive	10%	0.70%
Real estate	<u>20%</u>	5.70%
Total	<u>100%</u>	

Discount rate—At June 30, 2021, the discount rate used to measure the ASRS total pension liability was 7.0 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2020. 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:

ASRS	1% Decrease (6.0%)	Current discount rate (7.0%)	1% Increase (8.0%)
County's proportionate share of the net pension liability	\$34,921,742	\$22,201,908	\$11,597,085

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.

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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	

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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, 2022, 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	32	16	3
Inactive employees entitled to but not yet receiving benefits	12	34	5
Active employees	<u>26</u>	<u>36</u>	<u>2</u>
Total	<u>70</u>	<u>86</u>	<u>10</u>

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,

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with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2022, are indicated below. Rates are a percentage of active members' annual covered payroll.

	Active member—pension	County—pension
PSPRS Sheriff	7.65 – 11.65%	52.73%
CORP Detention	8.41	14.53
CORP Dispatchers	7.96	87.76
CORP AOC	8.41	35.48

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	43.52%
CORP Detention	9.16
CORP Dispatchers	84.65
CORP AOC	31.35

The County's contributions to the pension plans for the year ended June 30, 2022, were:

PSPRS Sheriff	CORP Detention	CORP Dispatchers	CORP AOC
\$236,251	\$75,685	\$3,401	\$434,587

During fiscal year 2022, the County paid for PSPRS and CORP pension contributions as follows: 94 percent from the General Fund and 6 percent from other governmental funds.

Pension (asset)/liability—At June 30, 2022, the County reported the following net pension (assets)/liabilities:

	Net pension (asset)/liability
PSPRS Sheriff	\$(3,328,648)
CORP Detention	(1,018,458)
CORP Dispatchers	(538,683)
CORP AOC (County's proportionate share)	3,539,580

The net assets and net liabilities were measured as of June 30, 2021, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

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

Gila County
Notes to financial statements
June 30, 2022

PSPRS and CORP—pension

Actuarial valuation date	June 30, 2021
Actuarial cost method	Entry age normal
Investment rate of return	7.3%
Wage inflation	3.5%
Price inflation	2.5%
Cost-of-living adjustment	1.75%
Mortality rates	PubS-2010 tables

Actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

The long-term expected rate of return on PSPRS and CORP pension plan investments was determined to be 7.3 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	Target	Long-term expected
Asset class	allocation	geometric real rate
		of return
U.S. public equity	24%	4.08%
International public equity	16%	5.20%
Global private equity	20%	7.67%
Other assets (capital appreciation)	7%	5.43%
Core bonds	2%	0.42%
Private credit	20%	5.74%
Diversifying strategies	10%	3.99%
Cash – Mellon	1%	(0.31)%
Total	<u>100%</u>	

Pension discount rate—At June 30, 2021, the discount rate used to measure the PSPRS and CORP total pension liabilities was 7.3 percent. 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.

Gila County
Notes to financial statements
June 30, 2022

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, 2021	<u>\$22,396,443</u>	<u>\$ 8,431,076</u>	<u>\$ 13,965,367</u>
Changes for the year:			
Service cost	337,956		337,956
Interest on the total pension liability	1,620,005		1,620,005
Differences between expected and actual experience in the measurement of the pension liability	(1,013,196)		(1,013,196)
Contributions—employer		13,572,313	(13,572,313)
Contributions—employee		169,496	(169,496)
Net investment income		4,549,994	(4,549,994)
Benefit payments, including refunds of employee contributions	(1,085,090)	(1,085,090)	
Administrative expense		(20,002)	20,002
Other changes		(33,021)	33,021
Net changes	<u>(140,325)</u>	<u>17,153,690</u>	<u>(17,294,015)</u>
Balances at June 30, 2022	<u>\$22,256,118</u>	<u>\$25,584,766</u>	<u>\$ (3,328,648)</u>

CORP Detention

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a) – (b)
Balances at June 30, 2021	<u>\$8,255,634</u>	<u>\$5,416,972</u>	<u>\$ 2,838,662</u>
Changes for the year:			
Service cost	238,519		238,519
Interest on the total pension liability	609,934		609,934
Differences between expected and actual experience in the measurement of the pension liability	96,415		96,415
Contributions—employer		2,764,035	(2,764,035)
Contributions—employee		138,026	(138,026)
Net investment income		1,908,511	(1,908,511)
Benefit payments, including refunds of employee contributions	(277,773)	(277,773)	
Administrative expense		(8,584)	8,584
Net changes	<u>667,095</u>	<u>4,524,215</u>	<u>(3,857,120)</u>
Balances at June 30, 2022	<u>\$8,922,729</u>	<u>\$9,941,187</u>	<u>\$ (1,018,458)</u>

Gila County
Notes to financial statements
June 30, 2022

CORP Dispatchers

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a) – (b)
Balances at June 30, 2021	<u>\$2,336,129</u>	<u>\$1,302,151</u>	<u>\$ 1,033,978</u>
Changes for the year:			
Service cost	10,867		10,867
Interest on the total pension liability	168,129		168,129
Differences between expected and actual experience in the measurement of the pension liability	(247,436)		(247,436)
Contributions—employer		989,133	(989,133)
Contributions—employee		8,941	(8,941)
Net investment income		508,430	(508,430)
Benefit payments, including refunds of employee contributions	(87,717)	(87,717)	
Administrative expense		(2,283)	2,283
Net changes	<u>(156,157)</u>	<u>1,416,504</u>	<u>(1,572,661)</u>
Balances at June 30, 2022	<u>\$2,179,972</u>	<u>\$2,718,655</u>	<u>\$ (538,683)</u>

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, 2021. The County's proportion measured as of June 30, 2021, was 0.953500 percent, which was an increase of 0.026346 from its proportion measured as of June 30, 2020.

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 7.3 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 (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate:

	1% Decrease (6.3%)	Current discount rate (7.3%)	1% Increase (8.3%)
PSPRS Sheriff			
Net pension (asset)/liability	\$ (534,793)	\$(3,328,648)	\$(5,629,230)
CORP Detention			
Net pension (asset)/liability	275,568	(1,018,458)	(2,066,556)
CORP Dispatchers			
Net pension (asset)/liability	(321,827)	(538,683)	(722,003)
CORP AOC			
County's proportionate share of the net pension liability	4,789,760	3,539,580	2,515,436

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, 2022, the County recognized the following pension expense:

Gila County
Notes to financial statements
June 30, 2022

	Pension expense
PSPRS Sheriff	\$ 191,176
CORP Detention	122,072
CORP Dispatchers	(214,616)
CORP AOC (County's proportionate share)	214,094

Pension deferred outflows/inflows of resources—At June 30, 2022, 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	\$483,380	\$ 845,066
Changes of assumptions or other inputs	106,624	
Net difference between projected and actual earnings on pension plan investments		2,415,731
County contributions subsequent to the measurement date	<u>236,251</u>	
Total	<u>\$826,255</u>	<u>\$3,260,797</u>
CORP Detention	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$276,229	\$ 16,322
Changes of assumptions or other inputs	61,289	
Net difference between projected and actual earnings on pension plan investments		952,845
County contributions subsequent to the measurement date	<u>75,685</u>	
Total	<u>\$413,203</u>	<u>\$969,167</u>
CORP Dispatchers	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings on pension plan investments		\$261,502
County contributions subsequent to the measurement date	<u>\$3,401</u>	
Total	<u>\$3,401</u>	<u>\$261,502</u>

Gila County
Notes to financial statements
June 30, 2022

CORP AOC	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 337,822	\$103,786
Changes of assumptions or other inputs	72,594	
Net difference between projected and actual earnings on pension plan investments		571,429
Changes in proportion and differences between county contributions and proportionate share of contributions	163,943	65,446
County contributions subsequent to the measurement date	<u>434,587</u>	
Total	<u>\$1,008,946</u>	<u>\$740,661</u>

The amounts reported as deferred outflows of resources related to pensions resulting from county contributions subsequent to the measurement date will be recognized as an increase in the net pension asset or a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	PSPRS Sheriff	CORP Detention	CORP Dispatchers	CORP AOC
Year ending June 30				
2023	\$(548,062)	\$ (24,959)	\$(59,730)	\$ 3,087
2024	(577,129)	(109,458)	(60,286)	80,901
2025	(850,945)	(213,712)	(65,440)	(66,933)
2026	(694,657)	(283,520)	(76,046)	(183,357)

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, 2022, 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, 2022, the County recognized pension expense of \$48,685.

Gila County
Notes to financial statements
June 30, 2022

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, 2022, statute required active EORP members to contribute 7 or 13 percent of the members’ annual covered payroll and the County to contribute at the actuarially determined rate of 61.43 percent of all active EORP members’ annual covered

Gila County
Notes to financial statements
June 30, 2022

payroll. Also, statute required the County to contribute 49.21 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 55.43 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 41.59 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, 2022, were \$612,416.

During fiscal year 2022, the County paid for EORP pension contributions as follows: 100 percent from the General Fund.

Pension liability—At June 30, 2022, 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	\$8,427,608
State's proportionate share of the EORP net pension liability associated with the County	<u>847,112</u>
Total	<u>\$9,274,720</u>

The net liability was measured as of June 30, 2021, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date.

The County's proportion of the net pension liability was based on the County's required contributions to the pension plan relative to the total of all participating employers' required contributions for the year ended June 30, 2021. The County's proportion measured as of June 30, 2021, was 1.3848390 percent, which was an increase of 0.0145830 from its proportion measured as of June 30, 2020.

Pension expense and deferred outflows/inflows of resources—For the year ended June 30, 2022, the County recognized pension expense for EORP of \$222,726 and revenue of \$199,905 for the County's proportionate share of the State's appropriation to EORP and the designated court fees. At June 30, 2022, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

EORP	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience		\$112,154
Net difference between projected and actual earnings on pension plan investments		429,374
Changes in proportion and differences between county contributions and proportionate share of contributions	\$ 48,307	
County contributions subsequent to the measurement date	<u>612,416</u>	
Total	<u>\$660,723</u>	<u>\$541,528</u>

Gila County
Notes to financial statements
June 30, 2022

The \$612,416 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, 2023. 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	\$(152,000)
2024	(89,411)
2025	(105,602)
2026	(146,208)

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

EORP	
Actuarial valuation date	June 30, 2021
Actuarial cost method	Entry age normal
Investment rate of return	7.3%
Wage inflation	3.75%
Price inflation	2.5%
Cost-of-living adjustment	1.75%
Mortality rates	PubG-2010 tables

Actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

The long-term expected rate of return on EORP pension plan investments was determined to be 7.3 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	Target allocation	Long-term expected geometric real rate of return
Asset class		
U.S. public equity	24%	4.08%
International public equity	16%	5.20%
Global private equity	20%	7.67%
Other assets (capital appreciation)	7%	5.43%
Core bonds	2%	0.42%
Private credit	20%	5.74%
Diversifying strategies	10%	3.99%
Cash – Mellon	1%	(0.31)%
Total	<u>100%</u>	

Gila County
Notes to financial statements
June 30, 2022

Discount rate—At June 30, 2021, the discount rate used to measure the EORP total pension liability was 7.3 percent. 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 7.3 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 (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate:

EORP	1% Decrease (6.3%)	Current Discount Rate (7.3%)	1% Increase (8.3%)
County’s proportionate share of the net pension liability	\$9,683,979	\$8,427,608	\$7,349,349

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, 2022, 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, 2022, the County recognized pension expense of \$19,332.

Gila County
Notes to financial statements
June 30, 2022

Note 12 - Interfund balances and activity

Interfund receivables and payables—Interfund balances at June 30, 2022, were as follows:

	Payable to				Total
	General Fund	Public Works Fund	Landfill Fund	Other Governmental Funds	
Payable from					
General Fund		\$43,874	\$1,614	\$63,689	\$ 109,177
Health Services Fund	\$2,280,836				2,280,836
Public Works Fund	71,079				71,079
Landfill Fund	42,140				42,140
Other Governmental Funds	<u>95,866</u>				<u>95,866</u>
Total	<u>\$2,489,921</u>	<u>\$43,874</u>	<u>\$1,614</u>	<u>\$63,689</u>	<u>\$2,599,098</u>

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, 2022, were as follows:

	Transfers to		
	Public Works Fund	Other Governmental Funds	Total
Transfers from			
General Fund	\$1,000,000	\$63,689	\$1,063,689

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 13 – Subsequent Event

In fiscal year 2023, the County was granted \$12 million in Local Assistance and Tribal Connectivity Funds. The funding is part of the American Rescue Plan Act and was created to help cover lost revenues from the COVID-19 pandemic.

Other Required Supplementary Information

Gila County
Required supplementary information
Budgetary comparison schedule
General Fund
Year ended June 30, 2022

	<u>Original and final budgeted amounts</u>	<u>Actual amounts</u>	<u>Variance with final budget</u>
Revenues:			
Taxes	\$ 27,397,297	\$ 28,242,871	\$ 845,574
Licenses and permits	500,434	636,166	135,732
Intergovernmental	29,778,385	17,421,491	(12,356,894)
Charges for services	1,083,058	1,413,011	329,953
Fines and forfeitures	422,247	336,033	(86,214)
Donations and contributions		118	118
Investment earnings	180,078	(175,889)	(355,967)
Miscellaneous	5,380,127	465,745	(4,914,382)
Total revenues	<u>64,741,626</u>	<u>48,339,546</u>	<u>(16,402,080)</u>
Expenditures:			
Current:			
General government			
Administrative services	262,366	257,190	5,176
Assessor	1,188,397	1,044,259	144,138
Board of supervisors (including fund 1870)	2,056,983	2,016,618	40,365
Community development	1,384,674	851,451	533,223
Computer services	1,465,660	1,732,511	(266,851)
Economic development	180,230		180,230
Elections	481,394	305,173	176,221
Facilities management	3,093,263	2,353,947	739,316
Finance/purchasing/payroll	455,155	790,701	(335,546)
General administration	1,881,479	1,510,757	370,722
Human resources	662,213	585,729	76,484
GF, Finance department	1,083,808	458,805	625,003
Recorder	773,403	642,948	130,455
Transit	111,809		111,809
Treasurer	590,118	514,732	75,386
Contingency reserve	12,921,747		12,921,747

(Continued)

Gila County
Required supplementary information
Budgetary comparison schedule
General Fund
Year ended June 30, 2022
(Continued)

	<u>Original and final budgeted amounts</u>	<u>Actual amounts</u>	<u>Variance with final budget</u>
Judicial services			
County attorney	\$ 2,832,780	\$ 2,644,192	\$ 188,588
Constable—Globe	200,413	193,521	6,892
Constable—Payson	233,763	229,360	4,403
Justice Court—Globe	753,392	728,428	24,964
Justice Court—Payson	681,718	650,170	31,548
Indigent legal defense	1,354,106	1,288,560	65,546
Child support enforcement	-	134,281	(134,281)
Clerk of the superior court	1,572,219	1,372,609	199,610
Superior Court—Division I	174,042	171,947	2,095
Superior Court—Division II	170,708	165,901	4,807
Superior Court—General	1,017,307	897,767	119,540
Public Defender's	155,775		155,775
Total general government	<u>37,738,922</u>	<u>21,541,557</u>	<u>16,197,365</u>
Public safety			
County sheriff (facilities management)	13,977,005	13,047,012	929,993
Emergency services (including GIS			
Rural Addressing)	362,063	426,630	(64,567)
Flood plain management	246,030	224,065	21,965
Juvenile probation	775,525	604,833	170,692
Probation	1,032,378	999,159	33,219
Total public safety	<u>16,393,001</u>	<u>15,301,699</u>	<u>1,091,302</u>
Health	<u>1,584,516</u>		<u>1,584,516</u>
Welfare			
AHCCCS contributions	4,229,842	3,841,842	388,000
Community agencies	338,000	330,960	7,040
Public fiduciary	539,245	519,984	19,261
Total welfare	<u>5,107,087</u>	<u>4,692,786</u>	<u>414,301</u>

(Continued)

See accompanying notes to budgetary comparison schedule.

Gila County
Required supplementary information
Budgetary comparison schedule
General Fund
Year ended June 30, 2022
(Concluded)

	<u>Original and final budgeted amounts</u>	<u>Actual amounts</u>	<u>Variance with final budget</u>
Culture and recreation			
Parks, recreation, fairgrounds	\$ 249,766		\$ 249,766
Total culture and recreation	<u>249,766</u>		<u>249,766</u>
Education			
School superintendent	454,053	1,491,792	(1,037,739)
Total education	<u>454,053</u>	<u>1,491,792</u>	<u>(1,037,739)</u>
Capital Outlay (funds 1007, 1114 & 1115)	5,746,919	6,424,380	(677,461)
Debt service	2,100,000	2,115,276	(15,276)
Total expenditures	<u>69,374,264</u>	<u>51,567,490</u>	<u>17,806,774</u>
Excess (deficiency) of revenues over expenditures	<u>(4,632,638)</u>	<u>(3,227,944)</u>	<u>1,404,694</u>
Other financing sources (uses)			
Indirect costs		191,157	191,157
Transfers out	(986,161)	(1,063,689)	(77,528)
Total other financing sources (uses)	<u>(986,161)</u>	<u>(872,532)</u>	<u>113,629</u>
Net change in fund balances	(5,618,799)	(4,100,476)	1,518,323
Fund balances, July 1, 2021	5,618,799	16,047,908	10,429,109
Decrease in reserve for inventories		48,645	48,645
Fund balances, June 30, 2022	<u>\$ -</u>	<u>\$ 11,996,077</u>	<u>\$ 11,996,077</u>

See accompanying notes to budgetary comparison schedule.

Gila County
Required supplementary information
Budgetary comparison schedule
Health Services Fund
Year ended June 30, 2022

	<u>Original and final budgeted amounts</u>	<u>Actual amounts</u>	<u>Variance with final budget</u>
Revenues:			
Licenses and permits		\$ 419,826	\$ 419,826
Intergovernmental	\$ 3,573,291	4,874,452	1,301,161
Charges for services	70,250	115,209	44,959
Donations and contributions		21,043	21,043
Miscellaneous	<u>27,300</u>	<u>495,490</u>	<u>468,190</u>
Total revenues	<u>3,670,841</u>	<u>5,926,020</u>	<u>2,255,179</u>
Expenditures:			
Health	<u>4,783,010</u>	<u>7,320,723</u>	<u>(2,537,713)</u>
Total expenditures	<u>4,783,010</u>	<u>7,320,723</u>	<u>(2,537,713)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,112,169)</u>	<u>(1,394,703)</u>	<u>(282,534)</u>
Other financing sources (uses):			
Transfers in	_____	_____	_____
Total other financing sources and uses	_____	_____	_____
Net change in fund balances	(1,112,169)	(1,394,703)	(282,534)
Fund balances, July 1, 2021	1,112,169	(628,937)	(1,741,106)
Fund balances, June 30, 2022	<u>\$ -</u>	<u>\$ (2,023,640)</u>	<u>\$ (2,023,640)</u>

See accompanying notes to budgetary comparison schedule.

Gila County
Required supplementary information
Budgetary comparison schedule
Public Works Fund
Year ended June 30, 2022

	<u>Original and final budgeted amounts</u>	<u>Actual amounts</u>	<u>Variance with final budget</u>
Revenues:			
Taxes	\$ 1,901,639	\$ 2,032,370	\$ 130,731
Licenses and permits	5,000	11,634	6,634
Intergovernmental	6,249,012	6,480,844	231,832
Charges for services		5,911	5,911
Fines and forfeits		346	346
Investment earnings	180,212	(288,716)	(468,928)
Miscellaneous	<u>56,651</u>	<u>83,654</u>	<u>27,003</u>
Total revenues	<u>8,392,514</u>	<u>8,326,043</u>	<u>(66,471)</u>
Expenditures:			
Highways and streets	13,844,170	8,883,632	4,960,538
Principal retirement	20,973	20,973	
Interest and other charges	<u>8,906</u>	<u>8,906</u>	
Total expenditures	<u>13,874,049</u>	<u>8,913,511</u>	<u>4,960,538</u>
Excess (deficiency) of revenues over expenditures	<u>(5,481,535)</u>	<u>(587,468)</u>	<u>4,894,067</u>
Other financing sources (uses):			
Transfers in	<u> </u>	<u>1,000,000</u>	<u>(1,000,000)</u>
Total other financing sources and uses	<u> </u>	<u>1,000,000</u>	<u>(1,000,000)</u>
Net change in fund balances	(5,481,535)	412,532	5,894,067
Fund balances, July 1, 2021	5,481,535	12,971,155	7,489,620
Fund balances, June 30, 2022	<u>\$ -</u>	<u>\$ 13,383,687</u>	<u>\$ 13,383,687</u>

See accompanying notes to budgetary comparison schedule.

Gila County
Required supplementary information
Budgetary comparison schedule
American Rescue Plan Act Fund
Year ended June 30, 2022

	<u>Original and final budgeted amounts</u>	<u>Actual amounts</u>	<u>Variance with final budget</u>
Revenues:			
Intergovernmental	\$ 5,246,000	\$ 707,003	\$ (4,538,997)
Investment earnings	<u> </u>	<u>(269,121)</u>	<u>(269,121)</u>
Total revenues	<u>5,246,000</u>	<u>437,882</u>	<u>(4,808,118)</u>
Expenditures:			
General government	5,246,000	631,385	4,614,615
Culture and recreation	<u> </u>	<u>75,618</u>	<u>(75,618)</u>
Total expenditures	<u>5,246,000</u>	<u>707,003</u>	<u>4,538,997</u>
Excess (deficiency) of revenues over expenditures	<u> </u>	<u>(269,121)</u>	<u>(269,121)</u>
Other financing sources (uses):			
Transfers in	<u> </u>	<u> </u>	<u> </u>
Total other financing sources and uses	<u> </u>	<u> </u>	<u> </u>
Net change in fund balances		(269,121)	(269,121)
Fund balances, July 1, 2021			
Fund balances, June 30, 2022	<u>\$ -</u>	<u>\$ (269,121)</u>	<u>\$ (269,121)</u>

See accompanying notes to budgetary comparison schedule.

Gila County
Required supplementary information
Notes to budgetary comparison schedules
June 30, 2022

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
Deficiency of revenues over expenditures from the statement of revenues, expenditures, and changes in fund balances	\$(3,036,787)
Indirect cost expenditures allocated to other county funds	<u>(191,157)</u>
Deficiency of revenues over expenditures from the budgetary comparison schedule	<u><u>\$(3,227,944)</u></u>

Note 3 - Expenditures in excess of appropriations

For the year ended June 30, 2022, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

Gila County
Required supplementary information
Notes to budgetary comparison schedules
June 30, 2022

Fund/department	Excess
General Fund:	
Computer services	\$ 266,851
Finance/purchasing/payroll	335,546
Child support enforcement	134,281
Emergency Services (including GIS Rural Addressing)	64,567
School Superintendent	1,037,739
Capital Outlay	677,461
Debt Service	15,276
American Rescue Plan Act Fund:	
Culture and recreation	75,618
Health Services Fund:	
Health	2,537,713

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 2022, the County School Superintendent’s Office received national forest monies of \$1,017,806 and passed them through to the school districts, which was not budgeted, and accounted for 97 percent of the 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, 2022

	Reporting fiscal year (Measurement date)								
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2013
Arizona State Retirement System									
County's proportion of the net pension liability	0.17%	0.17%	0.18%	0.17%	0.17%	0.17%	0.18%	0.19%	
County's proportionate share of the net pension liability	\$ 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	\$ 19,117,348	\$ 19,024,801	\$ 18,326,508	\$ 17,311,838	\$ 16,996,911	\$ 16,464,044	\$ 16,959,971	\$ 17,866,484	Information not available
County's proportionate share of the net pension liability as a percentage of its covered payroll	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	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%	

	Reporting fiscal year (Measurement date)								
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2013
Corrections Officer Retirement Plan—Administrative Office of the Courts									
County's proportion of the net pension liability	0.95%	0.93%	0.91%	0.88%	0.97%	1.31%	1.38%	1.55%	
County's proportionate share of the net pension liability	\$ 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	\$ 1,109,482	\$ 1,107,501	\$ 1,106,855	\$ 1,000,857	\$ 1,143,874	\$ 1,452,609	\$ 1,539,683	\$ 1,667,965	Information not available
County's proportionate share of the net pension liability as a percentage of its covered payroll	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	62.53%	50.07%	51.99%	53.72%	49.21%	54.81%	57.89%	58.59%	

	Reporting fiscal year (Measurement date)								
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2013
Elected Officials Retirement Plan									
County's proportion of the net pension liability	1.38%	1.37%	1.50%	1.14%	1.12%	1.21%	1.26%	1.29%	
County's proportionate share of the net pension liability	\$ 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	847,112	879,016	935,865	1,234,210	2,828,330	2,363,282	3,074,311	2,645,585	
Total	\$ 9,274,720	\$ 10,127,717	\$ 10,892,967	\$ 8,437,341	\$ 16,455,815	\$ 13,809,191	\$ 12,935,508	\$ 11,274,108	Information not available
County's covered payroll	\$ 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	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	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, 2022

PSPRS Sheriff

	Reporting fiscal year (Measurement date)								
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2013
Total pension liability									
Service cost	\$ 337,956	\$ 375,788	\$ 435,514	\$ 385,131	\$ 502,240	\$ 403,538	\$ 299,129	\$ 367,275	
Interest on the total pension liability	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	(1,013,196)	966,761	(230,529)	(369,481)	(278,317)	(416,800)	(29,030)	94,471	
Changes of assumptions or other inputs			426,495		878,607	632,607		2,180,190	
Benefit payments, including refunds of employee contributions	(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	(140,325)	1,753,142	935,988	228,847	1,351,988	797,089	520,192	3,236,980	
Total pension liability—beginning	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)	<u>\$22,256,118</u>	<u>\$22,396,443</u>	<u>\$20,643,301</u>	<u>\$19,707,313</u>	<u>\$19,478,466</u>	<u>\$18,126,478</u>	<u>\$17,329,389</u>	<u>\$16,809,197</u>	
Plan fiduciary net position									
Contributions—employer	\$13,572,313	\$ 1,437,325	\$ 1,351,693	\$ 1,119,625	\$ 951,182	\$ 867,460	\$ 641,694	\$ 520,920	
Contributions—employee	169,496	187,610	194,229	190,551	245,455	243,186	211,706	175,906	
Net investment income	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 Hall/Parker Settlement	(1,085,090)	(1,084,226)	(1,143,743)	(1,198,129)	(1,386,848)	(1,282,671)	(1,040,337)	(901,225)	
Administrative expense	(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	17,153,690	635,711	768,503	287,245	508,360	(130,103)	(10,425)	669,286	
Plan fiduciary net position—beginning	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)	<u>\$25,584,766</u>	<u>\$ 8,431,076</u>	<u>\$ 7,795,365</u>	<u>\$ 7,026,862</u>	<u>\$ 6,739,617</u>	<u>\$ 6,231,257</u>	<u>\$ 6,361,360</u>	<u>\$ 6,371,785</u>	
County's net pension liability—ending (a) – (b)	<u>\$ (3,328,648)</u>	<u>\$13,965,367</u>	<u>\$12,847,936</u>	<u>\$12,680,451</u>	<u>\$12,738,849</u>	<u>\$11,895,221</u>	<u>\$10,968,029</u>	<u>\$10,437,412</u>	
Plan fiduciary net position as a percentage of the total pension liability	114.96%	37.64%	37.76%	35.66%	34.60%	34.38%	36.71%	37.91%	
Covered payroll	\$ 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	(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, 2022

CORP Detention

	Reporting fiscal year (Measurement date)								
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2013
Total pension liability									
Service cost	\$ 238,519	\$ 276,628	\$ 344,457	\$ 362,086	\$ 365,615	\$ 341,734	\$ 322,777	\$ 349,379	
Interest on the total pension liability	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	96,415	334,856	145,954	(138,314)	(273,466)	238,078	(184,916)	(181,113)	
Changes of assumptions or other inputs			245,157		115,544	218,760		155,825	
Benefit payments, including refunds of employee contributions	(277,773)	(309,115)	(607,071)	(544,308)	(285,348)	(258,317)	(372,466)	(148,202)	
Net change in total pension liability	667,095	851,763	632,599	(138,763)	1,340,868	918,961	119,134	523,099	
Total pension liability—beginning	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)	\$ 8,922,729	\$ 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	\$ 2,764,035	\$ 274,711	\$ 288,365	\$ 238,843	\$ 204,740	\$ 191,008	\$ 181,989	\$ 191,319	
Contributions—employee	138,026	149,047	167,603	194,274	197,659	187,968	188,093	186,454	
Net investment income	1,908,511	148,934	262,281	335,380	501,516	25,007	144,624	461,443	
Benefit payments, including refunds of employee contributions	(277,773)	(390,115)	(607,071)	(544,308)	(285,348)	(258,317)	(372,466)	(148,202)	
Administrative expense	(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	4,524,215	300,760	105,797	209,905	614,164	150,530	135,218	686,842	
Plan fiduciary net position—beginning	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)	\$ 9,941,187	\$ 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)	\$ (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	111.41%	65.62%	69.10%	74.00%	69.47%	75.17%	86.79%	86.09%	
Covered payroll	\$ 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	(42.05)%	115.97%	92.80%	74.36%	82.64%	62.12%	29.84%	30.39%	

Information
not available

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, 2022

CORP Dispatchers

	Reporting fiscal year (Measurement date)								
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2013
Total pension liability									
Service cost	\$ 10,867	\$ 17,350	\$ 26,582	\$ 30,034	\$ 32,295	\$ 35,574	\$ 30,280	\$ 39,102	
Interest on the total pension liability	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	(247,436)	39,798	96,354	(199,521)	(172,751)	47,078	59,963	(103,659)	
Changes of assumptions or other inputs			42,529		43,923	56,724		80,874	
Benefit payments, including refunds of employee contributions	(87,717)	(85,997)	(239,183)	(91,254)	(83,034)	(124,520)	(80,128)	(136,774)	
Net change in total pension liability	(156,157)	130,304	76,937	(220,017)	353,202	161,714	141,054	19,947	
Total pension liability—beginning	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)	<u>\$ 2,179,972</u>	<u>\$ 2,336,129</u>	<u>\$ 2,205,825</u>	<u>\$ 2,128,888</u>	<u>\$ 2,348,905</u>	<u>\$ 1,995,703</u>	<u>\$ 1,833,989</u>	<u>\$ 1,692,935</u>	
Plan fiduciary net position									
Contributions—employer	\$ 989,133	\$ 51,724	\$ 66,564	\$ 47,658	\$ 37,583	\$ 35,930	\$ 30,530	\$ 26,396	
Contributions—employee	8,941	11,249	12,759	14,692	17,241	20,184	20,252	20,281	
Net investment income	508,430	40,003	70,238	93,455	141,868	7,545	45,656	158,620	
Benefit payments, including refunds of employee contributions	(87,717)	(85,997)	(239,183)	(91,254)	(83,034)	(124,520)	(80,128)	(136,774)	
Administrative expense	(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	1,416,504	15,431	(91,576)	62,411	112,009	(62,337)	13,633	47,281	
Plan fiduciary net position—beginning	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)	<u>\$ 2,718,655</u>	<u>\$ 1,302,151</u>	<u>\$ 1,286,720</u>	<u>\$ 1,378,296</u>	<u>\$ 1,315,885</u>	<u>\$ 1,203,876</u>	<u>\$ 1,266,213</u>	<u>\$ 1,252,580</u>	
County's net pension liability—ending (a) – (b)	<u>\$ (538,683)</u>	<u>\$ 1,033,978</u>	<u>\$ 919,105</u>	<u>\$ 750,592</u>	<u>\$ 1,033,020</u>	<u>\$ 791,827</u>	<u>\$ 567,776</u>	<u>\$ 440,355</u>	
Plan fiduciary net position as a percentage of the total pension liability	124.71%	55.74%	58.33%	64.74%	56.02%	60.32%	69.04%	73.99%	
Covered payroll	\$ 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	(479.58)%	731.65%	572.85%	406.65%	456.89%	311.42%	223.53%	173.19%	

Information
not available

See accompanying notes to pension plan schedules.

Gila County
Required supplementary information
Schedule of County pension contributions
June 30, 2022

Arizona State Retirement System

	Reporting fiscal year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 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	<u>2,389,612</u>	<u>2,212,015</u>	<u>2,159,441</u>	<u>2,081,679</u>	<u>1,850,254</u>	<u>1,746,245</u>	<u>1,768,338</u>	<u>1,832,179</u>	<u>1,852,259</u>	
County's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Information not available
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 contributions as a percentage of covered payroll	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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 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	<u>434,587</u>	<u>375,822</u>	<u>339,539</u>	<u>358,953</u>	<u>228,649</u>	<u>218,961</u>	<u>276,212</u>	<u>227,801</u>	<u>240,875</u>	
County's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Information not available
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 contributions as a percentage of covered payroll	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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 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	<u>612,416</u>	<u>613,741</u>	<u>621,324</u>	<u>512,123</u>	<u>76,787</u>	<u>208,566</u>	<u>250,016</u>	<u>265,481</u>	<u>274,171</u>	
County's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ 95,485	\$ 181,059	\$ -	\$ -	\$ -	\$ -	Information not available
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 contributions as a percentage of covered payroll	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, 2022

PSPRS Sheriff

	Reporting fiscal year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 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	<u>236,251</u>	<u>13,615,162</u>	<u>1,437,461</u>	<u>1,303,462</u>	<u>886,696</u>	<u>951,182</u>	<u>867,460</u>	<u>641,694</u>	<u>520,920</u>	
County's contribution deficiency (excess)	\$ -	\$ (12,965,640)	\$ -	\$ -	\$ 232,929	\$ 151,689	\$ 342,681	\$ -	\$ -	Information not available
County's 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 contributions as a percentage of covered payroll	8.54%	533.71%	52.51%	50.36%	39.15%	40.27%	40.01%	32.06%	27.48%	

CORP Detention

	Reporting fiscal year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 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	<u>75,685</u>	<u>2,763,173</u>	<u>276,004</u>	<u>291,129</u>	<u>238,843</u>	<u>204,740</u>	<u>191,008</u>	<u>181,989</u>	<u>191,319</u>	
County's contribution deficiency (excess)	\$ -	\$ (2,562,340)	\$ -	\$ -	\$ -	\$ 17,087	\$ 17,133	\$ -	\$ -	Information not available
County's 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 contributions as a percentage of covered payroll	3.67%	114.08%	11.28%	11.81%	10.09%	8.02%	8.58%	8.84%	9.22%	

CORP Dispatchers

	Reporting fiscal year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 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	<u>3,401</u>	<u>988,978</u>	<u>51,724</u>	<u>65,525</u>	<u>47,658</u>	<u>37,583</u>	<u>35,930</u>	<u>30,530</u>	<u>26,396</u>	
County's contribution deficiency (excess)	\$ -	\$ (955,704)	\$ -	\$ -	\$ -	\$ 7,343	\$ 11,160	\$ -	\$ -	Information not available
County's covered payroll	\$ 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	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.

Gila County
Required supplementary information
Notes to pension plan schedules
June 30, 2022

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 2020 actuarial valuation	18 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).

Gila County
Required supplementary information
Notes to pension plan schedules
June 30, 2022

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.

